

1999 SENATE APPROPRIATIONS
SB 2010

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2010

Senate Appropriations Committee

Conference Committee

Hearing Date 1/7/99

Tape Number	Side A	Side B	Meter #
1	x		1647-2050
2/3/99 1	x		
Committee Clerk Signature <i>Gaudeia Anderson</i>			

Minutes:

SENATOR NAA DEN: Committee Vice Chair, opened the hearing on SB 2010; A BILL for an Act to provide an appropriation for defraying the expenses of the insurance commissioner; and to amend and reenact section 26.1-01-09 of the ND Century Code, relating to the salary of the insurance commissioner.

GLENN POMEROY: Insurance Commissioner to testify in support of SB 2010 (testimony attached - tape A, 2242-2733).

SENATOR NAA DEN: What is the distribution of the funds?

GLENN POMEROY: Additional funding went to five districts (\$26,000 added to budget) to enhance current position and provide technology.

SENATOR NAA DEN: You didn't answer my question.

GLENN POMEROY: Would you please ask the question again?

SENATOR NAA DEN: Why is there such a disparity between districts?

GLENN POMEROY: We rely on verified information given us; there will always be fluctuation.

SENATOR NAA DEN: I want to see a report regarding the extra funding.

KEN ROOD: We will provide this information to this committee. We identify fire districts. There are errors from district to district which we correct. (tape 4395)

SENATOR SOLBERG: Regarding the Technology Plan. Where are the dollars? Are they according to the Technology budget?

JODI BOHR: The projected biennium is \$457,220. There is \$170,000 for services with an additional \$7-10,000 for the ISC data base. Additionally, there is \$153,000 in hardware and \$35,000 for software. (tape 4601-5175)

SENATOR SOLBERG: What are the equipment plans?

JODI BOHR: There is \$112,000 in equipment with \$8,000 for salary.

SENATOR NAADEN: What is the balance of fund payment?

BOB OLSON: Administrator of the Special Funds Division. When the State Bonding Funds falls below \$12M, a premium kicks in. Currently there is no premium as there is \$4.2M balance. The bonding floor is \$2.5M; we're currently at \$4.2M. We have paid out 3 claims equaling \$186,500. Two other claims were closed without payment; two others are still open. The Petroleum Tank Fund doesn't have a floor or ceiling. There is \$6.7M in a reserve fund that was set up in '89. The annual collection is \$620,000. The fee for storage tanks is \$125 for underground and \$75 for above ground.

SENATOR SOLBERG: Have you had or do you anticipate any payouts?

BOB OLSON: Yes, \$1M for all tank owners as required by the federal government. The federal government has also indicated tank owners have until 12/22/98 to comply. If they didn't meet the deadline, they can't operate. Claims come from those trying to upgrade or close-down. Tank owners have 12 months to get tanks out. There are approximately 125 sites that still have to do something to comply. There will still be claims coming in during the next year. These sites must be monitored during the upcoming year. (tape 5583)

SENATOR SOLBERG: During the last 10 years we have had \$28M in claims. Do we need to put a cap on these claims? (side B 83)

SENATOR NAADEN: How much has been paid out?

BOB OLSON: \$28M has been paid out.

SENATOR NAADEN: I would like to have a copy of that report.

SENATOR BOWMAN: How many businesses have gone out of business since these regulations have been in place? How many dollars have really been lost?

BOB OLSON: Those figures are tracked through the State Health Department. I will get those figures to this committee..

GLENN POMEROY: These are federal requirements from the late 80's. We are merely complying with those regulations. The ND Legislature has provided a low-cost provision for owners.

SENATOR GRINDBERG: According to the Premium Tax Forecasts, we're behind. (tape 720)

GLENN POMEROY: We're not behind.

SENATOR GRINDBERG: On page three, regarding the SHIC Program, you indicate this program has helped seniors save \$720,000. How do you track this?

GLENN POMEROY: Many have heard about the program through the volunteers that have been trained. One of the ways these savings have occurred is through elimination of duplication in insurance policies.

SENATOR GRINDBERG: I would like to see a report regarding the SHIC Program.

GLENN POMEROY: We'll comply with this request.

SENATOR NAADEN: Please update us on the Unsatisfied Judgment Fund.

KEN ROOD: The statutory minimum balance is \$300,000. If the balance is less, the Dept. of Transportation is to be contacted for addition of \$1.00 to fees. The current balance is \$320,000.

SENATOR NAADEN: What is the history of this fund?

KEN ROOD: The average for the past three years is \$200,000.

SENATOR ST. AUBYN: Are you carrying reinsurance if you receive astronomical claims?

GLENN POMEROY: The fire & tornado fund is reinsurable. There are statutory requirements. We have never hit this; however, with Grand Forks we will get close.

SENATOR BOWMAN: What about the premiums? Are they paid by consumers?

GLENN POMEROY: Premiums are collected. For every \$100 in premiums collected, consumers pay 10 cents. Doubling the fees shouldn't increase the premium.

SENATOR ROBINSON: Where are we with the Petroleum Tank Fund? Are there extensions?
(tape 1242)

BOB OLSON: The Insurance Department doesn't regulate; the Federal government and state health department regulate. The Insurance Department provides funds for cleanup. Underground farm tanks that contain less than 11,000 gallons are excluded. Above ground tanks can participate if they pay the \$75 annual fee. They have 12 months to meet the requirements.

GLENN POMEROY: Regarding Senator St. Aubyn's questions regarding reinsurance. The Valley City winter show had a claim in excess of \$1M. The reinsurer sent representatives to oversee the rebuilding of the winter show.

SENATOR ST. AUBYN: What determines if you reinsurance?

GLENN POMEROY: Past experience and projections. The Legislature will bring an overage back into the general fund.

SENATOR SOLBERG: If claims exceed the budget, the unsatisfied judgment fund will kick in and \$1.00 will be added to the licenses, right?

KEN ROOD: Could be. (tape 1980)

SENATOR SOLBERG: There is currently a \$320,000 balance. It seems June 30 everyone will get nailed \$1.00.

GLENN POMEROY: We will provide this committee information regarding: fire district payments, petroleum release funds, numbers of businesses affected by the tank regulations, unsatisfied judgment fund records, and SHIC data.

LOIS HARTMAN: Executive Director of the ND Firemen's Association testified in favor of SB 2010 (testimony attached).

SENATOR NAADEN: Closed the hearing on SB 2010. (tape 2250)

2/2/99

tape 1, side A

SENATOR NETHING: Reopened the hearing on SB 2010 and called for the amendment to SB 2010.

SENATOR SOLBERG: Moved do pass on the amendment to SB 2010.

SENATOR KRINGSTAD: Seconded

**ROLL CALL: 11 YEAS; 2 NAYS; 1 ABSENT & NOT VOTING
MOTION CARRIED ON THE AMENDMENT TO SB 2010**

2299

Yeas: Nething; Naaden; Solberg; Lindaas; Tallackson; Tomac; St. Aubyn; Grindberg; Holmberg; Kringstad; Bowman
Nays: Robinson; Krauter
Absent & Not Voting: Andrist

SENATOR NETHING: Called for the Motion on SB 2010 as amended.

SENATOR SOLBERG: Moved do pass SB 2010 as amended.

SENATOR KRINGSTAD: Seconded the motion

ROLL CALL: 13 YEAS; 1 ABSENT & NOT VOTING

MOTION CARRIED ON SB 2010 AS AMENDED

Yeas: Nething; Naaden; Solberg; Lindaas; Tallackson; Tomac; Robinson; Krauter; St. Aubyn; Grindberg; Holmberg; Kringstad; Bowman
Absent & Not Voting: Andrist

CARRIER: SENATOR SOLBERG

SENATOR NETHING: Closed the hearing on SB 2010.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2010 Amendment to: _____

Requested by Legislative Council Date of Request: 12-30-98

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:

Senate Bill No. 2010 contains the appropriation for the Insurance Department. Section 7 of the bill amends the provision of law which sets out the salary of the insurance commissioner. The Department anticipates the fiscal impact of Section 7 will be an increase in expenditures from the Insurance Regulatory Trust Fund of \$17,351.00 for the biennium. This amount is included in Section 1 of the bill.

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	\$17,351	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: -0-
- b. For the 1999-2001 biennium: \$17,351
- c. For the 2001-03 biennium: -0-

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 

Typed Name Trent Heinemeyer

Department Insurance Department

Phone Number 328-2440

Date Prepared: 1/6/99

Date: 2-3-99
 Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2010

Senate APPROPRIATIONS Committee

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number 98032.0104

Action Taken DO PASS

Motion Made By SENATOR Solberg Seconded By SENATOR Kringstad

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac	✓				
Senator Robinson		✓			
Senator Krauter		✓			
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist					

Total (Yes) 11 No 2

Absent 1

Floor Assignment _____

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

Date: 2-3-99
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2010

Senate APPROPRIATIONS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS AS AMENDED

Motion Made By SENATOR SOLBERG Seconded By SENATOR KRINGSTAD

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac	✓				
Senator Robinson	✓				
Senator Krauter	✓				
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist					

Total (Yes) 13 No 0

Absent 1

Floor Assignment SENATOR SOLBERG

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

REPORT OF STANDING COMMITTEE

SB 2010: Appropriations Committee (Sen. Nething, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2010 was placed on the Sixth order on the calendar.

Page 1, line 2, remove the first "and", replace "section" with "sections", and after "26.1-01-09" insert "and 26.1-23-03"

Page 1, line 3, after "commissioner" insert "and the unsatisfied judgment fund; and to provide for a legislative council study"

Page 1, line 11, replace "4,244,556" with "4,195,649"

Page 1, line 14, replace "5,901,000" with "5,852,093"

Page 1, line 21, replace "\$110,491" with "\$67,431"

Page 2, line 6, replace "\$39,863" with "\$4,170"

Page 2, line 10, replace "\$254,959" with "\$68,820"

Page 2, after line 12, insert:

"SECTION 7. LEGISLATIVE COUNCIL STUDY. The legislative council shall consider studying, during the 1999-2000 interim, the activities of and the need for continuing the petroleum tank release compensation fund."

Page 2, line 16, replace "sixty-two" with "fifty-eight", replace "three" with "two", and replace "sixty-four" with "sixty-two"

Page 2, line 17, after "2000" insert ", fifty-nine thousand four hundred twenty-eight dollars through December 31, 2000", replace "sixty-four" with "sixty-two", replace "two" with "eight", and replace "thirty-six" with "fifty-five"

Page 2, after line 18, insert:

"SECTION 9. AMENDMENT. Section 26.1-23-03 of the North Dakota Century Code is amended and reenacted as follows:

26.1-23-03. Additional registration fee - Deposit in fund - Suspension of fee. At the time of registering a motor vehicle, the owner shall pay to the director of the department of transportation, in addition to the registration fees, a fee of one dollar for each motor vehicle registered. The fees must be deposited with the state treasurer who shall credit the fees to the unsatisfied judgment fund. If on June first of any year the amount of uncommitted money in the fund is ~~three hundred one hundred fifty~~ three hundred one hundred fifty thousand dollars or more, the requirement for the payment of the fee is suspended during the succeeding year and until the year in which the fee is reimposed. The fee must be reimposed for any year whenever on June first of the previous year the uncommitted amount of the fund is less than ~~three hundred one hundred fifty~~ three hundred one hundred fifty thousand dollars."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 401 - INSURANCE DEPARTMENT

SENATE - This amendment makes the following changes:

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$4,244,556	(\$48,907)	\$4,195,649
Operating expenses	1,503,289		1,503,289
Equipment	<u>153,155</u>		<u>153,155</u>
Total special funds	\$5,901,000	(\$48,907)	\$5,852,093
Less special funds	_____	_____	_____
General fund	\$5,901,000	(\$48,907)	\$5,852,093
FTE	45.50	0.00	45.50

Detail of Senate changes to the executive budget include:

	REDUCE COMPENSATION PACKAGE TO 2/2	DELAY COMMISSIONER'S MARKET ADJUST. TO 1/1/2001	ADJUST HEALTH INSURANCE COST	TOTAL SENATE CHANGES
Salaries and wages	(\$56,063)	(\$6,244) ¹	\$13,400	(\$48,907)
Operating expenses	_____	_____	_____	_____
Equipment	_____	_____	_____	_____
Total special funds	(\$56,063)	(\$6,244)	\$13,400	(\$48,907)
Less special funds	_____	_____	_____	_____
General fund	(\$56,063)	(\$6,244)	\$13,400	(\$48,907)
FTE	0.00	0.00	0.00	0.00

Senate changes narrative:

¹ In addition to the 2 percent annual salary increases, funding is included to provide the commissioner a market equity increase of \$285.58 per month for the final 6 months of the biennium. The statutory annual salary for the commissioner will be:

Current salary	\$57,120
July 1, 1999	58,262
July 1, 2000	59,428
January 1, 2001	62,855

Reduces administrative costs allocated to the bonding fund by \$43,060, from \$110,491 to \$67,431, administrative costs allocated to the petroleum tank release compensation fund by \$186,139, from \$254,959 to \$68,820, and the administrative costs allocated to the unsatisfied judgment fund by \$35,693, from \$39,863 to \$4,170. The administrative costs included are in addition to the investment management fees of .30 percent paid on the investment of these funds.

A section is added amending NDCC Section 26.1-23-03 to change the level of the unsatisfied judgment fund at which a \$1 fee is imposed on motor vehicle registrations from a fund balance on June 1 of under \$300,000 to a fund balance on June 1 of under \$150,000.

A section is added providing for an interim Legislative Council study of the activities of and the need for continuing the petroleum tank release compensation fund.

**1999 HOUSE APPROPRIATIONS
SB 2010**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2010

House Appropriations Government Operations Committee

Conference Committee

Hearing Date March 11, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-49.4
Committee Clerk Signature <i>Roxanne Stone</i>			

Minutes:

A Bill for an Act to provide an appropriation for defraying the expenses of the insurance commissioner; to amend and reenact sections 26.1-01-09 and 26.1-23-03 of the North Dakota Century Code, relating to the salary of the insurance commissioner and the unsatisfied judgment fund; and to provide for a legislative council study.

1A: 1.1 Glen Pomeroy, Insurance Commissioner testified in support of the bill (See attached written testimony).

1A: 8.9 Rep. Poolman asked out of the \$19 million dollars from the flood were any of them specifically large chunks that came from large companies, gave an example of sewer backups. Replied there were a number of companies that were rejecting claims regarding sewer backups. The Insurance Commission spoke with companies and took the position that it was unacceptable to do that. Told companies they had an obligation to review policies and adjust claims. Didn't have to go to court to straighten out matter.

1A: 12.2 Rep. Byerly asked about the increase of fees for computers in the last two bienniums. Tape fuzzy.

1A: 16.4 Rep. Byerly asked about funds that are administered. What is the balance in fund, tank fund, unsatisfied judgment fund, petroleum fund, tornado fund, and a historical run down. Referred to House Bill 1404. Information will be presented to committee.

1A: 19.9 Rep. Carlisle asked about the February flood of 97 regarding people buying flood insurance. This time around are more people buying insurance? Replied a warning was issued to people but not enough bought insurance. Commission did a survey later to figure out why: one of the findings was that people had checked with their insurance agents and were told they didn't

need it. Advice was not helpful. Other factors were also involved. Now trying to get the word out to agents to make home owners aware of flood insurance and that their policy most likely doesn't cover floods. It is a different kind of coverage, separate.

1A: 26.1 Rep. Byerly asked about market adjustments. Does this imply that you have a pool fund that will allow you to do adjustments within different categories? Replied yes but it isn't a large pool, 2% in adjustments allowable regarding pool.

1A: 31.9 Rep. Poolman asked about the senate reduction for administrative costs for special funds. What happens to the reductions to those go back into the general fund as a carryover? Replied it stays in the special funds.

1A: 35.1 Rep. Huether asked if the commission inspects boilers. Bob Olson, Administrator of Special Funds replied they oversee all inspections boilers except for big power plants. Inspect Capitol and apartment buildings. Have three inspectors in program and inspect 60-65% of the boilers. Insurance Boiler policies have their own inspectors. Problem arising with Insurance inspectors not inspecting.

1A 37.5 Rep. Huether asked if the commission inspects elevators. Replied no.

1A: 38.5 Rep. Huether asked about Rural Fire Districts and concern for a resident having land in two districts. Replied there is a program that attempts to cover resident in both areas/districts. Program tries to ensure accuracy of information of resident occupancy by insurance companies.

1A: 42.4 Rep. Poolman asked about two vacant positions. Replied they have just recently become vacant and are in the process of adjusting positions before filling them.

1A: 43.5 Lois Hartman, Executive Director ND Firemen's Association testified in favor of the bill (See attached written testimony).

1A: 44.6 Rep. Carlisle asked about a bill last session for the fire districts to increase equipment needs. Aware of who took advantage of the bills passage? Replied only aware of two areas in North Dakota.

1A: 45.6 Rep. Byerly asked about a bill regarding retirement for volunteer firemen? Will it decrease money sent back to the districts? Could not hear answer.

1A: 47.2 Rep. Huether asked if satisfied with money coming back for Rural Fire Districts. Replied there is a lot of struggle out in districts. Commented there is a problem with people not being aware of dual coverage regarding land in rural districts.

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 17, 1999			
Tape Number	Side A	B Side	Meter #
1	x		11.0-18.5
Committee Clerk Signature		<i>Roxanne Kone</i>	

Minutes:

Chairman Byerly opened the discussion on Senate Bill 2010.

1A: 19.6 Rep. Poolman presented an amendment to the committee, 98032.0202: Reduced IT by 33%, travel reduced by \$10,000, reduced \$500,000 from floating balance fund which will go to the ending fund balance.

1A: 24.7 Rep. Poolman moved to adopt the amendments. Rep. Huether 2nd the motion. On a voice vote the motion carried. Rep. Poolman moved a DO PASS AS AMENDED. Rep. Huether 2nd the motion. On a Roll Call Vote the motion carried.

6 voting Yes

0 voting No

0 voting Absent

Rep. Poolman will carry the bill to the full committee.

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 18, 1999			
Tape Number	Side A	B Side	Meter #
1	x		9.1-28.5
Committee Clerk Signature <i>Cassey Davis</i>			

Minutes:

SB 2010

CHAIRMAN DALRYMPLE opened discussion on SB 2010.

1A: 9.1 REP. POOLMAN presented the GO subcommittee's recommendation for a Do Pass, along with the proposed amendments. He made the motion to adopt the amendments 0202 to SB 2010. The motion was seconded by Rep. Huether. A voice vote was taken and the motion carried.

1A: 13.7 REP. POOLMAN made a motion for a Do Pass as amended. The motion was seconded by Rep. Huether.

1A: 13.9 REP. BYERLY made a substitute motion to amend. The proposed amendment 0101 would allow the House majority leader to appoint two members to the National Conference of Insurance Legislators, and the Senate majority leader would appoint one member. The motion was seconded by Rep. Carlisle.

1A: 16.4 REP. KERZMAN asked why the Counsel could not appoint these members. Rep. Byerly replied that it did not matter to him personally, but this amendment was brought to him as a suggestion.

1A: 17.4 CHAIRMAN DALRYMPLE asked about what the state pays in regard to this issue. Rep. Byerly said that the only change with this amendment is in who appoints the members.

1A: A roll call vote was taken on adopting amendment 0101. The motion carried with 11 yeas, 8 nays, and 1 absent and not voting.

1A: 26.0 A roll call vote was taken for a Do Pass as amended. The motion carried with 12 yeas, 7 nays, and 1 absent and not voting. Rep. Poolman will carry the bill.

General Discussion

Page 2

House Appropriations, EE Div

March 18, 1999

1B: 4.0 CHAIRMAN DALRYMPLE agreed that they should ask the conference committee on higher education to address the issue of donations for projects such as this.

1B: 4.3 REP. BYERLY made a motion for a Do Pass. The motion was seconded by Rep. Carlisle. A roll call vote was taken and the motion carried unanimously with 20 yeas and 0 nays. Rep. Poolman will carry the bill.

Date: 3.17.99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2010

House APPROPRIATIONS - Government Operations Committee

Subcommittee on gov't operations
or
 Conference Committee

Legislative Council Amendment Number 98032.0202

Action Taken DO PASS AS AMENDED

Motion Made By Poolman Seconded By Huether

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	/				
Ron Carlisle	/				
Ben Tollefson	/				
Robert Huether	/				
Pam Gulleeson	/				
Jim Poolman	/				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Rep. Poolman

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

Date: 3-18-99
 Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2010

House Appropriations Committee _____

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number 0101

Action Taken amend

Motion Made By Byerly Seconded By ~~Monson~~ Carlisle

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	✓		Nichols		✓
Vice-Chairman Byerly	✓		Poolman	✓	
Aarsvold		✓	Svedjan	✓	
Bernstein			Timm	✓	
Boehm	✓		Tollefson	✓	
Carlson	✓		Wentz		✓
Carlisle	✓				
Delzer	✓				
Gulleson		✓			
Hoffner		✓			
Huether		✓			
Kerzman		✓			
Lloyd		✓			
Monson	✓				

Total (Yes) 11 No ~~8~~ 8

Absent 1

Floor Assignment _____

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

Waiting for new amend

Date: 3-18-99
Roll Call Vote #: 2

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2010

House Appropriations Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number 0101 and 0202

Action Taken DP as amended

Motion Made By Poolman Seconded By Huether

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	✓		Nichols	✓	
Vice-Chairman Byerly	✓		Poolman	✓	
Aarsvold	✓		Svedjan	✓	
Bernstein			Timm	✓	
Boehm	✓		Tollefson	✓	
Carlson	✓		Wentz	✓	
Carlisle	✓				
Delzer	✓				
Gulleson		✓			
Hoffner		✓			
Huether	✓				
Kerzman	✓				
Lloyd	✓				
Monson	✓				

Total (Yes) 17 No 2

Absent 1

Floor Assignment Poolman

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

REPORT OF STANDING COMMITTEE

SB 2010, as engrossed: Appropriations Committee (Rep. Dalrymple, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (17 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2010 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "to provide for the appointment of legislative representatives to the national conference of insurance legislators; and", after "reenact" insert "subsection 3 of section 26.1-01-07.1", and after "26.1-01-09" insert a comma

Page 1, line 3, after "to" insert "the cash balance of the insurance regulatory trust fund," and after "commissioner" insert a comma

Page 1, line 4, remove "; and to provide for a legislative council study"

Page 1, line 13, replace "1,503,289" with "1,493,289"

Page 1, line 14, replace "153,155" with "119,355"

Page 1, line 15, replace "5,852,093" with "5,808,293"

Page 2, replace lines 13 through 15 with:

"SECTION 7. National conference of insurance legislators - Appointment of representatives. The majority leader of the house of representatives shall appoint two members of the house of representatives and the majority leader of the senate shall appoint one member of the senate to represent the state at functions of the national conference of insurance legislators. Each member shall serve a two-year term. If a member is unable to complete the member's term, the majority leader of the respective chamber shall appoint another member to complete the term. The insurance commissioner shall pay the necessary expenses of the legislative members for attending functions of the national conference of insurance legislators.

SECTION 8. AMENDMENT. Subsection 3 of section 26.1-01-07.1 of the North Dakota Century Code is amended and reenacted as follows:

3. Except as otherwise provided by law, at the end of each fiscal year, the state treasurer shall transfer, after all fiscal year expenses have been paid, any cash balance remaining in the insurance regulatory trust fund that exceeds one million ~~five hundred thousand~~ dollars to the general fund."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 401 - INSURANCE DEPARTMENT

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$4,244,556	\$4,195,649		\$4,195,649
Operating expenses	1,503,289	1,503,289	(\$10,000)	1,493,289
Equipment	<u>153,155</u>	<u>153,155</u>	<u>(33,800)</u>	<u>119,355</u>
Total special funds	\$5,901,000	\$5,852,093	(\$43,800)	\$5,808,293
Less special funds	<u>5,901,000</u>	<u>5,852,093</u>	<u>(43,800)</u>	<u>5,808,293</u>
General fund	\$0	\$0	\$0	\$0
FTE	45.50	45.50	0.00	45.50

Detail of House changes to the Senate version includes:

	REDUCE OFFICE EQUIPMENT AND FURNITURE	REDUCE TRAVEL	TOTAL HOUSE CHANGES
Salaries and wages			
Operating expenses		(\$10,000)	(\$10,000)
Equipment	<u>(\$33,800)</u>		<u>(33,800)</u>
Total special funds	(\$33,800)	(\$10,000)	(\$43,800)
Less special funds	<u>(33,800)</u>	<u>(10,000)</u>	<u>(43,800)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

House changes narrative:

The section added in the Senate providing for an interim Legislative Council study of the activities of and the need for continuing the petroleum tank release compensation fund is removed.

A section is added providing that the House majority leader appoint two members from the House, and the Senate majority leader appoint one member from the Senate to represent the state at functions of the National Conference of Insurance Legislators (NCOIL). Expenses of the appointed legislators for attending these functions are to be paid by the Insurance Commissioner.

A section is added reducing the balance that may remain in the insurance regulatory trust fund at the end of each fiscal year by \$500,000, from \$1.5 million to \$1 million. This change will result in an estimated \$500,000 of additional funding being transferred from the insurance regulatory trust fund to the general fund during the 1999-2001 biennium.

1999 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2010

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. ENGROSSED SB 2010C

Senate Appropriations Committee

Conference Committee

Hearing Date 4/8/99

Tape Number	Side A	Side B	Meter #
1	60-1550		
Committee Clerk Signature <i>Gloria Anderson</i>			

Minutes:

SENATOR HOLMBERG: Opened the conference committee on engrossed SB 2010.

ROLL CALL: Present: Senators: Holmberg, Bowman, Tallackson; Representatives Poolman, Tollefson, Huether.

REP. POOLMAN: Moved the Senate accede to the House amendments, and further amend to change the appointment of representatives to the National Conference of Insurance Legislators (NCOIL) to allow the Legislative Council to make those appointments. *See clerk's note

REP. TOLLEFSON: Seconded the motion.

SENATOR TALLACKSON: I'd like to include in the amendment the representatives be chosen by Legislative Council on the advice of the Insurance Commissioner. NCOIL is strictly insurance matters. You have a hard time to get people interested in going to these meetings because all they talk about is insurance related matters. The Insurance Commissioner knows of individuals interested in insurance matters. Is there some way we could word it to include, in consultation with the insurance commissioner?

SENATOR HOLMBERG: Called for the roll call.

ROLL CALL: #1 - Yeas: Senators Holmberg, Bowman, Tallackson; Representatives Poolman, Tollefson, Huether.

MOTION CARRIED

SENATOR TALLACKSON: I have a concern with the section where the House made a \$10,000 cut which reduces the travel budget where NCOIL expenses come out of. For 2 years, all that has been spent for NCOIL is around \$30,000 that allows 3-4 people to go to NCOIL meetings, and also includes the dues to the national organization. By cutting it \$10,000, you're cutting it by 1/3. We should have added \$5-10,000. The dues went from \$1,000 to \$5,000. There are 25 states that belong to NCOIL. They have an executive secretary, with 3 meetings/year-one

annual meeting, plus 2 other meetings throughout the year. Members don't attend all of the meetings. This is minuscule when you think of NSPL which is \$160,000. The other point this is not general fund money. The Insurance Dept. is funded by fees, and 2 years ago they were able to turn \$2M back to the general fund. So, really, it is insurance agents, and companies paying in and then working together trying to keep the federal government out of our state. I'd appreciate it if you could put that back. Originally I was going to ask for \$5,000 more.

REP. POOLMAN: The reason we decided to take a serious look at travel and the operating line item was the travel budget in the current biennium was \$197,145; the requested budget \$274,000; for an increase of \$77,805. The Insurance Commissioner has the ability to move things amongst the operating line item. That's why we thought the \$10,000 was reasonable.

SENATOR TALLACKSON: You do understand that all of the NCOIL expenses come out of that line item?

REP. POOLMAN: Understand, and with the \$77,000+ increase - \$67,000 now after the House amendments - is still a pretty sizable increase.

DAVE KRABBENHOFT: OMB, When we analyzed the budget, the main focus when we analyzed the operating expenditures is the total within the operating line. Within SIBR, the agency has the flexibility to put whatever number they want for detail objects within the intermediate objects We look at that intermediate object line first. That was close to hold even.

SENATOR TALLACKSON: I don't understand.

KRABBENHOFT: OMB Within the operating line there are detail object codes that make up that intermediate object which is called operating expenditures in the bill. Within SIBR the agency has the flexibility to move whatever amounts they want as long as that total in the operating isn't exceeded so they can switch from travel to professional development without approval. They could take \$100,000 from travel in SIBR and put it into professional development without approval. We approve the budget at the intermediate line. The Insurance Department's operating line for the current biennium is the same as what we recommended for the '99-'01 biennium. How they come up with the number in their operating is up to them. They can move that in those detailed objects.

SENATOR TALLACKSON: Would this \$10,000 cut make the budget \$10,000 less than it was the last biennium?

KRABBENHOFT: OMB, It would be \$10,000 less for the operating line.

REP. POOLMAN: The travel line item wouldn't necessarily be \$10,000 less because they can cover anything they want out of other objects codes within that line item.

SENATOR TALLACKSON: That isn't hardly fair in these days of rising costs to cut the overall operating expense from last biennium.

SENATOR HOLMBERG: The Senate passed this bill out at the Executive level, and the House cut \$10,000.

SENATOR TALLACKSON: We did in our committee cut administrative costs.

REP. POOLMAN: Not as I understood it. When the budget came over it was pretty well--When you look under the blue amendment, operating expenses to the Executive Budget, \$1,503,000 to the Senate version \$1,503,000. The only changes to this budget were under the salary & wages which went to the 2 and 2.

SENATOR TALLACKSON: Senator Solberg was chairman and Senator Kringstad and I were on the committee, and we reduced the administrative fees in the different funds that they administer.

KRABBENHOFT: OMB, That's correct. You didn't reduce the amount they'd appropriate to expend. What happened is you limited the amount that they can take out of the other various funds.

SENATOR HOLMBERG: The only thing we did was the 2 to 2?

REP TOLLEFSON: The operating budget is the same, which is actually up \$67,000.

SENATOR BOWMAN: That's the only issue that's different?

SENATOR HOLMBERG: Yes.

SENATOR BOWMAN: The travel is for the group to meet?

SENATOR TALLACKSON: Travel and dues.

REP. POOLMAN: This \$10,000 reduction doesn't mean NCOIL will be under funded.

ENATOR BOWMAN: It seems the norm for all agencies is to cut back. Can they still go to meeting on less, i.e. have them within state?

SENATOR TALLACKSON: The meetings are set.

REP. POOLMAN: I'm not going to debate \$10,000.

SENATOR BOWMAN: Moved to add an additional amendment to increase the budget \$5,000.

REP. TOLLEFSON: Seconded the motion.

ROLL CALL #2: 6 yeas; 0 nays; 0 absent & not voting.

MOTION CARRIED.

SENATOR HOLMBERG: Closed the conference committee.

Page 4

Senate Appropriations Committee

Bill/Resolution Number SB 2010C.lwp

Hearing Date 4/8/99

Clerk's note: Upon advice of Allen Knudson, Legislative Council, based on the discussion and intent, the motion should be: The House recesses from the Senate amendments, and adopts further amendments...

(Bill Number) SB 2010 (, as (re)engrossed):

Your Conference Committee

Attendance	SENATORS	#1 Vote	#2 Vote	Attendance	REPRESENTATIVES	#1 Vote	#2 Vote
P	Holmberg	Y	Y	P	Poolman	Y	Y
P	Bowman	Y	Y	P	Tollefson	Y	Y
P	Tallackson	Y	Y	P	Huether	Y	Y

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
723/724 725/726 8724/8726 8725/8725
the (Senate/House) amendments on (SJ/HJ) page(s) 814 - 815

and place _____ on the Seventh order.
727

, adopt (further) amendments as follows, and place
_____ on the Seventh order:

having been unable to agree, recommends that the committee be discharged
and a new committee be appointed. 690/315

((Re)Engrossed) _____ was placed on the Seventh order of business on the
calendar.

=====

DATE: 4 18 1999
CARRIER: Holmberg
LC NO. 98032 . 0204 of amendment
LC NO. 98032 . 0200 of engrossment
Emergency clause added or deleted _____
Statement of purpose of amendment _____

=====

(1) LC (2) LC (3) DESK (4) COMM.

REPORT OF CONFERENCE COMMITTEE

SB 2010, as engrossed: Your conference committee (Sens. Holmberg, Bowman, Tallackson and Reps. Poolman, Tollefson, Huether) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 814-815, adopt further amendments as follows, and place SB 2010 on the Seventh order:

That the House recede from its amendments as printed on pages 814 and 815 of the Senate Journal and pages 892 and 893 of the House Journal and that Engrossed Senate Bill No. 2010 be amended as follows:

Page 1, line 2, after the semicolon insert "to provide for the appointment of legislative representatives to the national conference of insurance legislators; and", after "reenact" insert "subsection 3 of section 26.1-01-07.1,", and after "26.1-01-09" insert a comma

Page 1, line 3, after "to" insert "the cash balance of the insurance regulatory trust fund," and after "commissioner" insert a comma

Page 1, line 4, remove "; and to provide for a legislative council study"

Page 1, line 13, replace "1,503,289" with "1,498,289"

Page 1, line 14, replace "153,155" with "119,355"

Page 1, line 15, replace "5,852,093" with "5,813,293"

Page 2, replace lines 13 through 15 with:

"SECTION 7. National conference of insurance legislators - Appointment of representatives. The chairman of the legislative council, in consultation with the insurance commissioner, shall appoint two members of the house of representatives and two members of the senate to represent the state at functions of the national conference of insurance legislators. Each member shall serve a two-year term. If a member is unable to complete the member's term, the chairman of the legislative council shall appoint another member to complete the term. The insurance commissioner shall pay the necessary expenses of the legislative members for attending functions of the national conference of insurance legislators.

SECTION 8. AMENDMENT. Subsection 3 of section 26.1-01-07.1 of the North Dakota Century Code is amended and reenacted as follows:

3. Except as otherwise provided by law, at the end of each fiscal year, the state treasurer shall transfer, after all fiscal year expenses have been paid, any cash balance remaining in the insurance regulatory trust fund that exceeds one million ~~five hundred thousand~~ dollars to the general fund."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 401 - INSURANCE DEPARTMENT

CONFERENCE COMMITTEE - This amendment makes the following changes:

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	CONFERENCE COMPARISON TO HOUSE VERSION
Salaries and wages	\$4,244,556	\$4,195,649		\$4,195,649	\$4,195,649	
Operating expenses	1,503,289	1,503,289	(5,000)	1,498,289	1,493,289	\$5,000
Equipment	153,155	153,155	(33,800)	119,355	119,355	
Total special funds	\$5,901,000	\$5,852,093	(\$38,800)	\$5,813,293	\$5,808,293	\$5,000
Less special funds	<u>5,901,000</u>	<u>5,852,093</u>	<u>(38,800)</u>	<u>5,813,293</u>	<u>5,808,293</u>	<u>5,000</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	45.50	45.50	0.00	45.50	45.50	0.00

Detail of Conference Committee changes to the Senate version includes:

	REDUCE OFFICE EQUIPMENT AND FURNITURE	REDUCE TRAVEL	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages			
Operating expenses		(\$5,000) ²	(\$5,000)
Equipment	(\$33,800) ¹		(33,800)
Total special funds	(\$33,800)	(\$5,000)	(\$38,800)
Less special funds	<u>(33,800)</u>	<u>(5,000)</u>	<u>(38,800)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

Conference Committee changes narrative:

- 1 Reduces office equipment and furniture, the same as the House version.
- 2 Reduces travel by \$5,000. The Senate did not reduce this item, and the House reduced it by \$10,000.

The section added in the Senate providing for an interim Legislative Council study of the activities of and the need for continuing the petroleum tank release compensation fund is removed. The House also removed this section.

The section added by the House is changed to provide that the Legislative Council chairman, in consultation with the Insurance Commissioner, appoint two members of the House and two members of the Senate to represent the state at functions of the National Conference of Insurance Legislators (NCOIL). Expenses of the appointed legislators for attending these functions are to be paid by the Insurance Commissioner. The House version of this section had provided that the House majority leader appoint two members of the House and the Senate majority leader appoint one member from the Senate to represent the state at the NCOIL functions.

A section is added reducing the balance that may remain in the insurance regulatory trust fund at the end of each fiscal year by \$500,000, from \$1.5 million to \$1 million. Change will result in an estimated \$500,000 of additional funding being transferred from the insurance regulatory trust fund to the general fund during the 1999-2001 biennium. The House version also included this section.

Engrossed SB 2010 was placed on the Seventh order of business on the calendar.

1999 TESTIMONY

SB 2010

**TESTIMONY
BEFORE THE
SENATE APPROPRIATIONS COMMITTEE**

THURSDAY, JANUARY 7, 1999

SENATE BILL 2010

By Insurance Commissioner Glenn Pomeroy



INTRODUCTION

Mr. Chairman, Members of the Senate Appropriations Committee, I am pleased to appear before you this morning to discuss Senate Bill 2010, which contains Governor Schafer's recommended budget for the North Dakota Insurance Department. I am grateful to Governor Schafer and members of his staff at the Office of Management and Budget for their helpful cooperation in the budget process. Again this session the Governor's recommended budget for the Insurance Department is right on the mark. It is essentially a no-growth budget, yet it continues to provide the Department with the tools we need to make sure your constituents are treated fairly when they buy an insurance policy. And, it continues to fund this important service entirely out of license fees and fines collected from the insurance industry.

With the budget you approved for the Insurance Department last session, we have just completed a remarkable two-year period. In 1997 and 1998, the Insurance Department helped individual North Dakota policyholders collect nearly \$25 million in relief from insurance companies, more than ten times our normal two-year average, due in part to the devastation of the Red River flood of 1997 and the insurance related disputes that arose from that disaster. So, with a biennial appropriation of about \$4.2 million for the regulation of insurance, we helped individual North Dakota consumers recover nearly \$25 million from insurance companies with which they had some sort of dispute. I am grateful for the legislature's consistent support for strong insurance regulation in North Dakota which provided us with the tools necessary to accomplish our mission this biennium. I am pleased to present this overview of the Insurance Department and the proposed budget for the next biennium.

CONSUMER PROTECTION

As I have often said, the Insurance Department is one of the most important consumer protection posts in all of state government. Virtually each North Dakotan is affected in one way or another by the variety of services we perform.

The primary mission of the Department is to protect North Dakotans who purchase insurance. Our goal is to make sure consumers are sold **fair products at fair prices** and we also do everything we can to make sure the insurance company will be there to **pay the claims when they occur**. When a child is rushed to the hospital, when a hail storm damages a roof, or when a breadwinner dies unexpectedly, it is so important that our families receive the protection they deserve from their insurance contract.

THE INSURANCE INDUSTRY IN NORTH DAKOTA

The insurance industry in North Dakota is strong and vital to the economics of our state, our communities, and our families. In 1997, North Dakotans paid over \$1.9 billion in premium for all types of insurance. This sales volume resulted in approximately \$17.5 million of insurance premium tax being deposited into the **state general fund**. Incredibly, each year the insurance premium tax accounts for **nearly 3% of all deposits into the general fund**.

Even more important to the economic well being of our families, in 1997, insurance companies paid over \$1.8 billion to your constituents in the form of claims paid or benefits conferred. Across the board, the insurance industry plays a huge role in helping our residents in time of

need, and the significance of nearly \$1.8 billion each year flowing back to North Dakotans as a result of their insurance coverage cannot be overstated.

The insurance industry in our state supports vigilant oversight of the insurance marketplace. In fact, the industry directly pays the entire cost of insurance regulation in North Dakota.

All license fees and fines paid by companies and agents are deposited into the **Insurance Regulatory Trust Fund** which in turn funds the operation of the Department. For fiscal year 1997, for example, the industry paid slightly less than \$2 million (\$1,984,144) in fees into the Insurance Regulatory Trust Fund to fund the Department budget. Compared to the nearly \$2 billion the insurance companies collect from our residents in premium each year, \$2 million in fees is a small price for the companies to pay to ensure the industry is properly regulated.

At the end of each fiscal year, any amount remaining in the Insurance Regulatory Trust Fund in excess of \$1.5 million is transferred into the general fund. A total of \$1.8 million was transferred to the general fund in this manner for fiscal years 1996 and 1997, and \$961,898 was transferred for the fiscal year ending June 30, 1998. Again, this is in addition to the nearly \$17.5 million generated annually for the general fund as a result of the insurance premium tax. The Insurance Regulatory Trust Fund works extremely well. The Trust Fund ensures that North Dakota consumers get the protection they deserve in the form of vigilant regulation, and the insurance industry picks up the entire tab.

STATE VERSUS FEDERAL REGULATION OF INSURANCE

The authority to regulate our nation's vast and complex insurance industry and with it the ability to collect the insurance premium tax, has long been in the hands of the states and not the federal government. This is as it should be. From the consumer's perspective, when one of your constituents is getting the run-around by an insurance company, it is far easier for that person to pick up the phone and call our toll-free hotline than it would be to receive assistance from some far-off bureaucracy in Washington D.C. And, from the perspective of state governments such as ours, losing a tax base which has traditionally accounted for nearly 3% of the general fund revenue could be a serious loss.

As the next century approaches, I believe the survival of state-based regulation of insurance will be tested as never before. Powerful forces are pushing for replacing the state-based framework with a federal system of regulation similar to that which exists for nationally chartered banks. They claim that the individual state approach is too diverse to effectively regulate a multi-state industry that each year generates nearly $\frac{3}{4}$ of a trillion dollars in premium nationally.

In response, state insurance regulators are working together to make the state based system more seamless and more uniform through greater cooperation and better use of technology. Here in North Dakota, we have introduced a number of bills this session as a part of this overall effort to reduce the costs of regulatory compliance while enhancing our ability to protect our consumers. At the national level, North Dakota has played a leading role in the National Association of Insurance Commissioners as we have collectively fought to retain state authority in this area. I'm certain this fight will continue into next year and well into the next century. Your continued support of strong state insurance regulation will assist in winning this fight.

THE INSURANCE DEPARTMENT

The Insurance Department provides a variety of services on behalf of North Dakota residents. While the majority of these services are in the area of insurance regulation, the legislature has from time to time assigned other functions to the department as well. These functions are generally described below.

Consumer Protection: – This function begins with the proactive review of policy forms and rate filings for insurance products which insurance companies seek to sell in North Dakota. In addition, consumers who are having difficulty with their company call our toll-free hotline and we ensure that valid claims are paid. In 1998 for example, our hotline staff processed over 12,250 telephone calls, or roughly 40 calls per day, from North Dakotans who needed help resolving an insurance related matter. Oftentimes, these disputes can be resolved quickly and informally. Other times, this contact will result in the consumer filing a formal complaint with our office, and our investigators will gather additional facts as we then determine the appropriate course of action.

Legal/Enforcement – When it appears an agent or a company has acted in violation of the law, the Department initiates the appropriate enforcement proceedings which may result in a fine and a suspended or revoked license. Occasionally, a company’s activities may warrant a look at their entire operation in a “market conduct” examination. The Department also responds to general questions regarding insurance which are posed by consumers and the insurance industry on a daily basis.

Senior Health Insurance Counseling Program – Funded entirely by a grant from the federal government, the Senior Health Insurance Counseling Program, or SHIC, trains volunteers throughout the state to help senior citizens sort through confusing medical bills and insurance paperwork. About 80 volunteers from 26 communities have been trained to help North Dakota seniors with complicated questions regarding their Medicare and health insurance issues. Since the program’s inception in 1995, SHIC program volunteers have helped seniors save approximately \$720,000.

Through all of the activities outlined above, we go to bat on a daily basis for individual policyholders who are having a dispute with an insurance company. On the average, these efforts will result in consumers receiving approximately \$1 million in claims being paid per year which were at first denied. For the last two years, our efforts have resulted in \$25 million in relief for individual North Dakota policyholders. The breakdown for this relief is as follows:

	<u>1997</u>	<u>1998</u>
Non-flood relief	\$ 2,867,061	\$2,721,694
Flood-related relief	<u>19,348,916</u>	<u>N/A</u>
TOTAL	22,215,977	2,721,694

TWO YEAR TOTAL = \$24,937,671

While all of us pray that we will never see another disaster like the Red River flood of 1997, our experience over the last two years underscores the importance of a state agency that is ready and

willing to go to bat for your constituents when they run into a problem with an insurance company.

Licensing and Education – We are responsible for the licensing of over 15,000 individuals and approximately 2,000 companies doing business in this state. Before any person can become licensed to sell insurance, he or she must complete pre-licensure courses, pass a pre-licensing exam, and the Department must conduct a background check. The Department administers the continuing education requirements for the agents once they become licensed. Any company seeking approval to do business here must also go through a pre-license review to screen out those companies which may either be financially troubled or have a history of regulatory problems in other states.

Financial Examinations – At the heart of insurance regulation is solvency oversight. The Department monitors the financial strength of insurance companies doing business in North Dakota by performing field examinations, ongoing financial analysis, and cooperating with insurance regulators in other states throughout the country.

Fire and Tornado Fund and Inspection Programs – Located within the Department are several separately funded programs which serve North Dakota residents in a variety of ways.

1. *Fire and Tornado Fund.* This Fund insures buildings and contents belonging to North Dakota governmental entities and subdivisions. Created in 1919, the Fund today provides low-cost insurance for over 11,300 public buildings throughout the state with a combined insured value of 4.6 billion. We estimate that by the time all flood related damages are finally settled in Grand Forks, the Fire and Tornado Fund will pay out approximately \$5 million to our policyholders as a result of damages they incurred.
2. *State Bonding Fund.* This Fund, established in 1919, provides a blanket fidelity bond for state agencies and political subdivisions providing coverage in the event of employee theft of property and money. Presently, nearly 3,000 bonds are in force with a total bonded amount of over \$500 million.
3. *Petroleum Tank Fund.* The federal government requires all owners of underground petroleum tanks to show proof that they have the financial ability to clean up petroleum contamination resulting from a leak. Nearly 1900 tank owners pay to this North Dakota fund an annual registration fee for nearly 6,300 tanks and in return receive contamination clean-up coverage and third party liability coverage, thereby complying with the federal requirements.
4. *Boiler and Pressure Vessel Inspectors.* This safety program ensures that all boilers in North Dakota are inspected every two years, with some inspections taking place on an annual basis. We also inspect new boilers for proper installation. Of the 7,700 boilers throughout the state, we inspect 4,200 and oversee the inspection of the remaining 3,500 by their private insurance carrier.

5. *Anhydrous Ammonia Facility Inspection.* During the 1995 Legislative Session, an inspection program for anhydrous ammonia facilities was created and assigned to the Department.

Unsatisfied Judgement Fund – The Insurance Department carries out the operations of the Unsatisfied Judgement Fund. When a resident of North Dakota obtains a judgement for damages resulting from bodily injury to or death of a person caused by the use of a motor vehicle, and the judgement debtor has no assets with which to pay the judgement, the judgement creditor may apply to the court for an order directing payment from the Fund for an amount of \$10,000 for the injury or death of one person, or \$20,000 for the injury or death of two or more persons.

Fire District Payments – The Insurance Department administers the payment of certain funds to each of the 389 fire districts in the state pursuant to state law. Over the last several years, the Legislature has appropriated \$2.6 million to be paid annually to fire districts from the insurance tax distribution fund, which is funded by part of the premium tax collected by our office. The Insurance Department processes and analyzes insurance premium information received from insurance companies, and then determines the individual fire district payments based on a statutory formula.

RED RIVER FLOOD RESPONSE

Though the devastating flood in April of 1997 occurred last biennium, it occurred following the last legislative session and triggered events that would continue well into this biennium as we all dealt with the disaster's aftermath. This is my first opportunity to report to the Legislature concerning the Insurance Department's role in this disaster, and I have prepared a separate package that provides you with a brief glance at the steps undertaken in the days following the crest of the Red.

- We immediately arranged for a personal tour of the devastation by the Head of Claims of the National Flood Insurance Program.
- We kept our toll free hotline open Saturday and Sunday so that evacuated Grand Forks residents could reach us.
- We requested an extension of time to pay insurance premiums on behalf of policyholders in the Red River Valley.
- We opened a temporary Flood Response Office in Grand Forks to provide personal assistance to flood victims with insurance related questions first hand.

These and other steps were part of our proactive campaign to do everything possible to assist the victims of this unprecedented disaster.

Insurance companies under our jurisdiction do not underwrite flood insurance. This protection can only be obtained through the National Flood Insurance Program. However, many companies had sold homeowners policies in Grand Forks with an endorsement providing for limited protection in the basement in the event of sewer back-up or sump pump failure. It quickly came

to our attention that many companies were denying all claims brought under these endorsements, and we went to bat for the policyholders when it was our opinion that coverage ought to be provided under the terms of the contract. These efforts resulted in more than \$19 million in claims being paid as a result of our office becoming involved.

GOVERNOR SCHAFER'S BUDGET FOR 1999-2001

Overall, the Department employs 45.5 FTEs. 34.5 FTEs perform the insurance regulatory functions of the Department, and 11 perform the other separately funded functions as assigned by the Legislature. North Dakota's insurance regulatory staff ranks as the third smallest in the nation. I believe, however, that we have been provided with the resources necessary to discharge our mission, and I am proud of the job the Insurance Department does in serving your constituents and all the people of North Dakota.

Senate Bill 2010, which contains Governor Schafer's budget recommendation for the Insurance Department, will give us the ability to continue current operations throughout the next biennium. For the third session in a row, I have requested and the Governor has proposed a budget for the Insurance Department which calls for no new FTEs and no new programs.

Section 1 – Section one of the bill provides the appropriations for the activities of the Insurance Department.

The salary and wage line is proposed to be increased slightly over the 97-99 biennium, reflecting the increases the Governor has proposed for state employees and elected officials for the next biennium. Also, the increase allows for the market adjustments for several of our technical positions for which we need to become more market competitive in order to retain key employees.

In response to the 1997 Legislature's mandate (HB 1034) that all state agencies prepare an Information Technology (IT) plan, the Governor has proposed increases in the operating and expense line.

Section 2 – Section two provides the \$5.2 million appropriation for redistribution of a portion of the insurance premium tax to the local fire districts.

Section 3, 4, 5, and 6 – Sections three, four, five, and six are all included in Section one. These sections provide the source of funding for the administration of the Bonding Fund, Fire and Tornado Fund, Unsatisfied Judgement Fund, and Petroleum Tank Release Fund from the various special funds that are indicated.

Section 7 – Section seven provides the increase to the commissioner's salary as called for in the State of North Dakota Survey of Elected and Appointed Positions conducted by Fox, Lawson, and Associates at the request of the Governor.

CONCLUSION

As you can see, the budget recommendation for the Insurance Department is essentially a no-growth budget for the next biennium, with some slight adjustments included due to inflationary

factors or information systems requirements. Throughout my six years in the position of Insurance Commissioner, I have always been grateful to both the Governor and the Legislature for the solid support shown for strong, fair insurance regulation. I pledge to you our ongoing commitment to making the best use of the resources appropriated to us for the benefit of the insurance buying public in North Dakota.



DEPARTMENT OF INSURANCE

STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

MEMORANDUM

TO: CHAIRMAN & MEMBERS OF THE SENATE
APPROPRIATIONS COMMITTEE

FROM: Glenn Pomeroy, Commissioner of Insurance

A handwritten signature in black ink, appearing to read "Glenn Pomeroy".

DATE: January 8, 1999

SUBJECT: Senate Bill 2010: Insurance Department Budget

Thank you again for the opportunity to present Senate Bill 2010 before your Committee. During the Committee Hearing, you requested some additional information. The information requested and a response to each request is as follows:

1. You requested a copy of the Petroleum Tank Release Compensation Fund bill that Bob Olson (Administrator of the Special Funds Division) referred to when responding to your questions about the Petroleum Tank Fund.

Bob Olson checked with the entities that are preparing this bill and they informed him that the bill is still in draft form. Once the bill is final, they will notify us and we will forward a copy to you.

2. A request was made regarding the number of Petroleum Tank owners who have quit operating since the start of this program. We checked with the Health Department (the regulating agency) and they informed us that they track the number of underground storage tanks, but do not track the number of facilities and consequently, they have no way of knowing how

many facilities are currently operating today compared to how many were operating in the past.

3. A request was made for a copy of the report given to the Budget Section regarding the Fire District Payments. A copy of Ken Rood's Testimony which contains this report is attached as Attachment #1.
4. A request was made for the balance and payment history for the Unsatisfied Judgment Fund. Based on all records still in retention, an outline of this history is attached as Attachment #2.
5. You requested a copy of a report substantiating the relief obtained for senior citizens through the Senior Health Insurance Counseling Program (SHIC). A copy of the SHIC Savings Report is attached as Attachment #3. Please note that the report reflects an up-to-date total relief amount of \$877,224.93 which differs from my testimony due to timing. We have not included the names of the senior citizens on this report for confidentiality reasons. A copy of the North Dakota Senior Health Insurance Counseling Program Counseling Report Form is also attached as Attachment #4 for your review. This form is used by the counselors to submit the information to our Department.

If you have any questions regarding any of the above, please feel free to contact me at 328-2440.

Thank you.

Attachments

WITH THE EXCEPTION OF THE ATTACHED PAGE THE TESTIMONY
IS THE SAME AS GIVEN TO THE SENATE

**TESTIMONY
BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE**

THURSDAY, MARCH 11, 1999

SENATE BILL 2010

By Insurance Commissioner Glenn Pomeroy

SENATE AMENDMENTS

A number of changes were made to Senate Bill 2010 by the Senate Appropriations Committee.

First of all, the overall appropriation for the Department was reduced by \$48,907. This entire reduction came out of the salaries and wages line, reflecting the Senate's intent to reduce salary increases being proposed for state employees from 3% to 2% per year and reducing also the adjustments Governor Schafer had recommended for elected and appointed officials.

In addition to this overall reduction in the Department's appropriation, the Senate also altered the allocation of our appropriation among the various separate and specially funded programs we administer. While the effect of these amendments does not further reduce the overall appropriation for the Insurance Department, the amounts specifically appropriated from the special fund programs (the Bonding Fund, the Unsatisfied Judgement Fund, and the Petroleum Tank Release Fund) were reduced. Provided the overall department appropriation is not further reduced beyond the amounts called for with the Senate amendments, we believe we will be able to continue to successfully implement all programs assigned to the Insurance Department, despite these reductions and do not seek a restoration of these reductions here this morning.

In addition to the reduced appropriation for the Petroleum Tank Fund, the Senate inserted a new section to the bill calling for a Legislative Council study concerning the need for continuing this program. We are not opposed to the Legislative Council performing such a study.

Section 9 relates to the Unsatisfied Judgement Fund. North Dakota law provides that if on June 1st of any year the amount in this fund drops below \$300,000, a \$1 fee will be automatically tacked on to each motor vehicle registration for the next year. Our records indicate this trigger point has never been reached, and consequently, this fee never imposed. Currently, \$320,000 is in this fund. This amendment lowers the trigger point for instituting the \$1 fee from \$300,000 to \$150,000.

CONCLUSION

As you can see, the budget recommendation for the Insurance Department is essentially a no-growth budget for the next biennium, with some slight adjustments included due to inflationary factors or information systems requirements. While the Senate altered the Governor's proposed budget in several areas, I believe the bill now before you will continue to provide the Department with the tools we need to serve your constituents over the next biennium.

Throughout my six years in the position of Insurance Commissioner, I have always been grateful to both the Governor and the Legislature for the solid support shown for strong, fair insurance regulation. I pledge to you our ongoing commitment to making the best use of the resources appropriated to us for the benefit of the insurance-buying public in North Dakota.



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

MEMORANDUM

**TO: CHAIRMAN & MEMBERS OF THE HOUSE
APPROPRIATIONS COMMITTEE**

FROM: Glenn Pomeroy, Commissioner of Insurance

A handwritten signature in cursive script, appearing to read "Glenn Pomeroy".

DATE: March 16, 1999

SUBJECT: Senate Bill 2010: Insurance Department Budget

Thank you for the opportunity to present Senate Bill 2010 before your Committee. During the Committee Hearing, you requested some additional information. The information requested and a response to each request is as follows:

1. You requested information regarding each of the Special Fund balances. Attached are copies of Fund Balance reports for the Petroleum Tank Release Compensation Fund, the State Bonding Fund, and the Fire and Tornado Fund as of June 30, 1995; June 30, 1997, and November 30, 1998. Also attached is a memo explaining the fund balance of the Unsatisfied Judgment Fund from June, 1992 through June, 1998.
2. A request was made for a copy of documentation explaining the Fire District Program. Attached please find a copy of the Testimony given by the Insurance Department Accountant, Ken Rood, before the Budget Section on December 11, 1998, which explains, in detail, the Fire District Program.
3. A question was asked regarding the Boiler Inspection Program regarding whether or not we inspect the boilers at power plants. Bob Olson, the

Administrator of the Special Funds, responded to this question, indicating that we do not inspect these boilers. A point of clarification regarding this: as with other boiler inspections performed by insurance company inspectors, we are responsible for the review of the inspection reports. If the report meets the inspection criteria set forth in the National Board Inspection Code, we issue a Certificate of Operations.

If you have any questions regarding any of the above, please feel free to contact me at 328-2440.

Thank you.

Attachments

PETROLEUM TANK RELEASE COMPENSATION FUND

BALANCE SHEET June 30, 1995

ASSETS

Cash	\$ 145,246
Investments	4,403,063
Accounts Receivable	4,375
Interest Receivable	21,084
Prepaid Expenses	264
Due From Other Funds	<u>2,704</u>
Total Assets	<u>\$4,576,736</u>

LIABILITIES

Accounts Payable	\$ 23,506
Accrued Payroll	5,489
Accrued Annual Leave	2,520
Loss Claims Payable	1,220,350
Due to Other Agencies	<u>681</u>
Total Liabilities	<u>\$1,252,546</u>

EQUITIES

Contributed Capital	\$3,443,050
Retained Earnings	(386,770)
Unrealized Gain (Loss) on Investments	<u>267,910</u>
Total Fund Equity	<u>\$3,324,190</u>
Total Fund Equity and Liabilities	<u>\$4,576,736</u>

Petroleum
Tank
Release

PETROLEUM TANK RELEASE COMPENSATION FUND

BALANCE SHEET

June 30, 1997

ASSETS

Cash	\$ 79,023
Investments	7,296,835
Accounts Receivable	9,181
Interest Receivable	46,540
Due From Other Funds	<u>269</u>
Total Assets	<u>\$7,431,848</u>

LIABILITIES

Accounts Payable	\$ 19,714
Notes Payable	1,478,421
Accrued Payroll	8,934
Accrued Annual Leave	5,366
Loss Claims Payable	1,186,200
Due to Other Agencies	<u>296</u>
Total Liabilities	<u>\$2,698,931</u>

EQUITIES

Retained Earnings	\$4,611,974
Unrealized Gain (Loss) on Investments	<u>120,943</u>
Total Fund Equity	<u>\$4,732,917</u>
Total Fund Equity and Liabilities	<u>\$7,431,848</u>



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

PETROLEUM TANK RELEASE COMPENSATION FUND
FUND BALANCE
FOR PERIOD ENDED 11/30/98

Cash	\$ 34,659	
Money Market Deposit Account	\$ 37,484	
Investments	\$ 7,441,478	
Accounts Receivable	\$ 24,973	
Dividend/Interest Receivable	\$ 38,709	
Due From Other Agencies	\$ 148	
Sub Total		\$ 7,577,451
Less Payables:		
Accounts Payable	\$ 4,733	
Notes Payable	\$ -	
Loss Claims Payable	\$ 837,600	
Accrued Payroll	\$ 9,403	
Due To Other Agencies	\$ -	
Sub Total		\$ 851,736
Fund Balance 11/30/98		\$ 6,725,715

STATE BONDING FUND

BALANCE SHEET

June 30, 1995

ASSETS

Cash	\$ 543,370
Investments	3,856,493
Accounts Receivable	26,602
Interest Receivable	1,033
Due From Other Funds	375
Due From Other Agencies	0
Prepaid Expenses	<u>342</u>
Total Assets	<u>\$4,428,215</u>

LIABILITIES

Accounts Payable	\$ 1,988
Accrued Payroll	3,553
Accrued Annual Leave	4,482
Loss Claims Payable	380,865
Due to Other Funds	<u>500,142</u>
Total Liabilities	<u>\$ 891,030</u>

EQUITY

Contributed Capital	\$4,590,051
Unrealized Gain (Loss) on Investments	149,032
Unreserved Retained Earnings	<u>(1,201,898)</u>
Total Fund Equity	<u>\$3,537,185</u>
Total Liabilities and Fund Equity	<u>\$4,428,215</u>

State
Bonding
Fund

STATE BONDING FUND

BALANCE SHEET

June 30, 1997

ASSETS

Cash	\$ 68,234
Investments	4,917,009
Accounts Receivable	42,104
Interest Receivable	7,395
Due From Other Funds/Agencies	<u>99,889</u>
Total Assets	<u>\$5,134,631</u>

LIABILITIES

Accounts Payable	\$1,008,482
Notes Payable	37,213
Accrued Payroll	2,973
Accrued Annual Leave	4,746
Loss Claims Payable	133,000
Due to Other Funds	<u>120</u>
Total Liabilities	<u>\$1,186,534</u>

EQUITY

Unrealized Gain (Loss) on Investments	\$ 188,334
Unreserved Retained Earnings	<u>3,759,763</u>
Total Fund Equity	<u>\$3,948,097</u>
Total Liabilities and Fund Equity	<u>\$5,134,631</u>



Glenn Pomeroy
Commissioner of Insurance

DEPARTMENT OF INSURANCE STATE OF NORTH DAKOTA

ND STATE BONDING FUND FUND BALANCE FOR PERIOD ENDED 11/30/98

Cash	\$ 31,820	
Money Market Deposit Account	\$ 46,444	
Investments	\$ 4,255,397	
Accounts Receivable	\$ 40,946	
Dividend/Interest Receivable	\$ 15,270	
Due From Other Agencies	\$ 194	
Sub Total		\$ 4,390,071
Less Payables:		
Accounts Payable	\$ 2,651	
Notes Payable	\$ -	
Loss Claims Payable	\$ 142,647	
Accrued Payroll	\$ 3,099	
Due To Other Agencies	\$ -	
Sub Total		\$ 148,397
Fund Balance 11/30/98		\$ 4,241,674

FIRE AND TORNADO FUND

BALANCE SHEET

June 30, 1995

ASSETS

Cash	\$ 59,143
Accounts Receivable	2,593
Interest Receivable	46,961
Investments	14,970,085
Prepaid Expenses	908
Furniture and Equipment	17,770
Due From Other Funds	<u>5</u>
Total Assets	<u>\$15,097,465</u>

LIABILITIES, EQUITY, AND OTHER CREDITS

Liabilities:

Accrued Payroll	\$ 20,118
Accounts Payable	10,750
Loss Claims Payable	1,667,936
Accrued Annual Leave	11,756
Due to Other Agencies	<u>9,208</u>

Total Liabilities \$ 1,719,768

Equity and Other Credits:

Contributed Capital	\$13,489,388
Unrealized Gain (Loss) on Investments	112,596
Retained Earnings: Unreserved	<u>(224,287)</u>

Total Equity and Other Credits \$13,377,697

Total Liabilities, Equity, and Other Credits \$15,097,465

File -
Tornado
Fund

FIRE AND TORNADO FUND

BALANCE SHEET

June 30, 1997

ASSETS

Cash	\$ 121,280
Accounts Receivable	4,002
Interest Receivable	87,433
Investments	18,544,248
Prepaid Expenses	0
Furniture and Equipment	19,137
Due From Other Agencies	<u>1,527</u>
Total Assets	<u>\$18,777,627</u>

LIABILITIES, EQUITY, AND OTHER CREDITS

Liabilities:

Accrued Payroll	\$ 19,742
Accounts Payable	285,524
Notes Payable (Securities Lending Collateral)	3,891,085
Loss Claims Payable	4,469,196
Accrued Annual Leave	19,095
Due to Other Agencies	<u>36,357</u>
Total Liabilities	<u>\$ 8,720,999</u>

Equity and Other Credits:

Unrealized Gain (Loss) on Investments	\$ 199,891
Retained Earnings: Unreserved	<u>9,856,737</u>
Total Equity and Other Credits	<u>\$10,056,628</u>
Total Liabilities, Equity, and Other Credits	<u>\$18,777,627</u>



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

FIRE & TORNADO FUND
FUND BALANCE
FOR PERIOD ENDED 11/30/98

Cash	\$ 47,630	
Money Market Deposit Account	\$ 211,133	
Investments	\$ 17,124,230	
Accounts Receivable	\$ 142,647	
Dividend/Interest Receivable	\$ 76,099	
Due From Other Agencies	\$ -	
Sub Total		\$ 17,601,739
Less Payables:		
Accounts Payable	\$ 9,556	
Notes Payable	\$ -	
Loss Claims Payable	\$ 4,537,521	
Accrued Payroll	\$ 11,893	
Due To Other Agencies	\$ -	
Sub Total		\$ 4,558,970
Fund Balance 11/30/98		\$ 13,042,769



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

UNSATISFIED JUDGMENT FUND

January 7, 1999

Pursuant to ND Century Code 26.1-23.03 the Unsatisfied Judgment Fund (UJF) holds a minimum balance of \$300,000 to administer the fund and to cover claims against uninsured motorists. If, on June first of any year, the balance in the fund is less than \$300,000, a fee of \$1.00 shall be imposed for the following year on each motor vehicle registered. Based on the information available, this \$1.00 fee has not been imposed on the state motorists for at least 10 years as the fund balance has always been over the \$300,000 statutory requirement. The current balance in the UJF is \$320,579. Listed below are the fund balances and claims paid for the last 7 years:

	<u>Claims Paid</u>	<u>Fund Balance</u>
Jun 92	\$42,000	\$491,738
Jun 93	\$32,246	\$461,516
Jun 94	\$53,000	\$379,456
Jun 95	\$20,000	\$335,452
Jun 96	\$10,120	\$334,542
Jun 97	\$ 0	\$330,693
Jun 98	\$10,000	\$329,642

The reason the UJF balance hasn't decreased in proportion to the costs of administering the fund and payment of claims is due to the repayments received from the uninsured motorist. Operators license and motor vehicle registration will be suspended/revoked until the uninsured motorist has repaid in full, plus interest, to the State Treasurer the amount paid from the fund and has furnished proof of financial responsibility as required the laws of this state.

Revised 1/12/99

Unsatisfied
Judgment
Fund

26.1-23-03. Additional registration fee — Deposit in fund — Suspension of fee. At the time of registering a motor vehicle, the owner shall pay to the director of the department of transportation, in addition to the registration fees, a fee of one dollar for each motor vehicle registered. The fees must be deposited with the state treasurer who shall credit the fees to the unsatisfied judgment fund. If on June first of any year the amount of uncommitted money in the fund is three hundred thousand dollars or more, the requirement for the payment of the fee is suspended during the succeeding year and until the year in which the fee is reimposed. The fee must be reimposed for any year whenever on June first of the previous year the uncommitted amount of the fund is less than three hundred thousand dollars.

Source: S.L. 1983, ch. 332, § 23.

Derivation: N.D.C.C. 39-17-01, 39-17-02.

SHIC Savings Report

06/02/1993	\$132.62	O
06/08/1993	\$15.00	O
06/09/1993	\$74.17	O
06/10/1993	\$331.00	PL
06/17/1993	\$338.00	MR
06/17/1993	\$338.00	MR
06/21/1993	\$186.00	PL
08/25/1993	\$1,874.00	O
09/28/1993	\$74.61	PC
10/08/1993	\$4,000.00	PC
10/08/1993	\$4,000.00	PC
10/13/1993	\$2,000.00	O
11/11/1993	\$300.00	O
11/18/1993	\$2,268.00	IR
12/01/1993	\$540.00	PC
12/30/1993	\$3,971.00	PC
01/10/1994	\$150.00	PL
01/15/1994	\$328.82	MR
01/19/1994	\$300.00	IR
01/20/1994	\$1,068.17	PC
01/27/1994	\$280.00	IR
02/07/1994	\$6.75	IR
02/07/1994	\$108.06	O
02/15/1994	\$586.00	PL
02/17/1994	\$35.46	IR
02/18/1994	\$121.85	IR
02/21/1994	\$100.00	IR
02/26/1994	\$2,244.67	MR
03/01/1994	\$210.25	IR
03/02/1994	\$1,338.00	O
03/04/1994	\$324.00	PL
03/07/1994	\$53.51	IR
03/07/1994	\$1,200.00	IR
03/07/1994	\$5,000.00	MR
03/09/1994	\$85.00	IR
03/09/1994	\$1,000.00	PC
03/11/1994	\$19.13	IR
03/15/1994	\$12.54	
03/15/1994	\$480.00	PC
03/22/1994	\$119.00	PL
03/25/1994	\$1,000.00	PL
03/31/1994	\$2,900.00	O
04/01/1994	\$6.97	IR
04/06/1994	\$193.00	O
04/07/1994	\$1,100.00	IR
04/11/1994	\$800.00	IR
04/13/1994	\$4,320.00	IR
04/14/1994	\$13.12	IR
04/21/1994	\$986.40	O
04/25/1994	\$4,800.00	IR

Senior
health
insurance
counselor

04/28/1994	\$204.00	IR
05/04/1994	\$135.00	MR
05/05/1994	\$70.83	
05/05/1994	\$253.00	O
05/10/1994	\$102.00	MR
05/11/1994	\$460.00	MR
05/13/1994	\$147.00	MR
05/16/1994	\$707.29	PL
05/19/1994	\$17.35	MR
05/24/1994	\$75.00	O
05/25/1994	\$32.00	MR
05/26/1994	\$285.04	IR
06/03/1994	\$24.00	IR
06/07/1994	\$20.00	IR
06/08/1994	\$80.35	MR
06/21/1994	\$134.93	IR
06/21/1994	\$250.00	O
06/23/1994	\$65.00	IR
06/27/1994	\$4,200.00	MR
07/05/1994	\$379.68	MR
07/05/1994	\$495.00	IR
07/06/1994	\$2.26	O
07/14/1994	\$4,845.00	IR
07/15/1994	\$680.00	MR
07/19/1994	\$76.00	PC
07/20/1994	\$43.00	IR
07/25/1994	\$400.00	MR
08/01/1994	\$13.12	O
08/03/1994	\$50.13	O
08/04/1994	\$942.38	MR
08/09/1994	\$353.37	O
08/10/1994	\$47.54	O
08/15/1994	\$20,298.00	O
08/22/1994	\$188.00	
08/22/1994	\$840.00	PL
08/23/1994	\$27.00	IR
08/26/1994	\$2.75	O
08/31/1994	\$135.47	O
09/01/1994	\$20.00	
09/01/1994	\$317.00	MR
09/06/1994	\$3,000.00	
09/07/1994	\$482.00	IR
09/14/1994	\$200.00	IR
09/14/1994	\$3,999.00	
09/15/1994	\$200.00	O
09/15/1994	\$2,900.00	
09/19/1994	\$133.00	IR
09/21/1994	\$39.00	IR
09/22/1994	\$300.00	O
09/26/1994	\$467.00	O
10/03/1994	\$1,200.00	PC

10/04/1994	\$250.00 IR
10/10/1994	\$3.00
10/14/1994	\$630.00 PL
10/20/1994	\$33.00 O
10/25/1994	\$106.00
10/25/1994	\$562.00 O
10/28/1994	\$240.00 PL
10/31/1994	\$109.00 MR
11/08/1994	\$96.00 MR
11/15/1994	\$2,494.00 MR
11/21/1994	\$27.49 MR
12/03/1994	\$408.63 O
12/07/1994	\$20.00
12/08/1994	\$2,400.00 IR
12/08/1994	\$2,494.74 MR
12/12/1994	\$374.14 MR
12/14/1994	\$268.63 IR
12/23/1994	\$642.21 MR
12/29/1994	\$64.00 IR
01/03/1995	\$37.00
01/03/1995	\$1,113.00 O
01/08/1995	\$800.00 IR
01/09/1995	\$101.00 O
01/12/1995	\$7.72 O
01/23/1995	\$100.00
01/25/1995	\$100.00 IR
01/25/1995	\$3,835.00 IR
02/03/1995	\$72.00 O
02/03/1995	\$257.00 IR
02/03/1995	\$670.00
02/08/1995	\$509.00 PL
02/09/1995	\$775.00 PL
02/15/1995	\$553.20 O
02/17/1995	\$600.00 PC
03/02/1995	\$1,400.00 PL
03/06/1995	\$195.00 O
03/07/1995	\$149.00 IR
03/10/1995	\$50.00 O
03/10/1995	\$1,100.00 IR
03/16/1995	\$445.00
03/17/1995	\$500.00 O
04/01/1995	\$1,100.00 MR
04/03/1995	\$116.00 IR
04/03/1995	\$696.00
04/10/1995	\$594.80 IR
04/11/1995	\$788.00
04/17/1995	\$75.00 MR
04/17/1995	\$720.00
05/01/1995	\$601.85 O
05/05/1995	\$151.55 O
05/18/1995	\$788.00 IR

10/20/1995	\$52.00	IR
10/23/1995	\$34.00	O
10/30/1995	\$243.10	MR
10/31/1995	\$78.35	MR
10/31/1995	\$350.00	IR
10/31/1995	\$393.87	MR
11/01/1995	\$45.00	IR
11/06/1995	\$36.71	IR
11/07/1995	\$45.00	MR
11/07/1995	\$200.47	O
11/17/1995	\$340.00	MR
11/21/1995	\$133.00	IR
11/30/1995	\$135.00	O
12/04/1995	\$29,028.00	O
12/05/1995	\$135.00	O
12/05/1995	\$423.17	MR
12/05/1995	\$14,400.00	O
12/06/1995	\$1,726.63	IR
12/07/1995	\$100.00	MR
12/11/1995	\$600.00	PL
12/16/1995	\$63.00	
12/22/1995	\$2,300.00	IR
01/03/1996	\$310.00	PL
01/04/1996	\$600.00	O
01/04/1996	\$600.00	O
01/05/1996	\$43.10	O
01/05/1996	\$20,000.00	IR
01/09/1996	\$12.39	IR
01/09/1996	\$495.00	MR
01/11/1996	\$38.79	MR
01/11/1996	\$319.00	IR
01/15/1996	\$8.25	
01/22/1996	\$850.71	IR
01/25/1996	\$1,725.00	MR
01/26/1996	\$150.00	IR
01/26/1996	\$400.00	IR
01/29/1996	\$15.00	O
01/30/1996	\$117.50	O
01/30/1996	\$2,200.00	MR
02/01/1996	\$264.64	O
02/01/1996	\$600.00	
02/01/1996	\$29,028.00	O
02/02/1996	\$29,028.00	O
02/05/1996	\$16.30	IR
02/07/1996	\$107.67	IR
02/08/1996	\$14.06	IR
02/08/1996	\$328.94	PL
02/19/1996	\$29,028.00	O
03/04/1996	\$100.00	
03/04/1996	\$100.00	O
03/05/1996	\$111.83	

05/24/1995	\$1,600.00	IR
06/08/1995	\$918.00	MR
06/08/1995	\$1,800.00	
06/12/1995	\$30.97	IR
06/13/1995	\$62.50	MR
06/14/1995	\$390.38	IR
06/20/1995	\$800.00	MR
06/22/1995	\$1,488.00	MR
06/23/1995	\$5.49	
06/23/1995	\$215.00	MR
06/23/1995	\$235.34	O
06/27/1995	\$195.95	MR
07/06/1995	\$5.49	
07/06/1995	\$900.00	IR
07/10/1995	\$135.60	IR
07/14/1995	\$140.89	IR
07/19/1995	\$25.00	O
07/19/1995	\$166.90	O
07/25/1995	\$121.00	
07/25/1995	\$2,000.00	IR
07/26/1995	\$600.00	IR
08/01/1995	\$300.00	MR
08/03/1995	\$50.00	M
08/04/1995	\$20.00	MR
08/07/1995	\$1,000.00	
08/11/1995	\$40.00	O
08/14/1995	\$23.92	IR
08/14/1995	\$873.00	IR
08/15/1995	\$189.00	IR
08/18/1995	\$5.00	IR
08/21/1995	\$8.00	IR
08/22/1995	\$1,140.00	PC
08/24/1995	\$394.00	O
08/25/1995	\$190.00	IR
08/30/1995	\$42.00	MR
08/31/1995	\$40.00	MR
09/01/1995	\$5.49	IR
09/05/1995	\$40.58	
09/14/1995	\$5.00	O
09/18/1995	\$19.66	IR
09/20/1995	\$12,436.00	MR
09/29/1995	\$10,000.00	O
10/02/1995	\$470.00	O
10/09/1995	\$12.47	IR
10/09/1995	\$100.84	IR
10/11/1995	\$400.00	MR
10/13/1995	\$11.99	IR
10/16/1995	\$8.30	O
10/19/1995	\$97.00	MR
10/19/1995	\$102.50	O
10/19/1995	\$300.00	O

03/07/1996	\$186.53
03/07/1996	\$1,000.00 O
03/08/1996	\$22,740.00 O
03/12/1996	\$569.12 MR
03/15/1996	\$43.00 MR
03/15/1996	\$162.23 O
03/15/1996	\$324.95 IR
03/15/1996	\$1,917.00 O
03/15/1996	\$2,500.00 O
03/22/1996	\$38.18 O
03/25/1996	\$142.53 IR
03/26/1996	\$69.52 IR
03/26/1996	\$2,989.87 MR
04/05/1996	\$46.00 MR
04/05/1996	\$479.00 MR
04/05/1996	\$479.50 MR
04/08/1996	\$145.00 MR
04/09/1996	\$55.00 IR
04/10/1996	\$60.50 O
04/15/1996	\$500.00
04/17/1996	\$219.26 MR
04/18/1996	\$600.00 O
04/22/1996	\$367.00 IR
04/23/1996	\$51.00 MR
04/30/1996	\$149.00 PL
04/30/1996	\$628.00 PL
05/01/1996	\$1,000.00 O
05/02/1996	\$8,400.00 O
05/03/1996	\$156.00
05/09/1996	\$1,000.00 O
05/10/1996	\$1,200.00 PC
05/13/1996	\$948.01 O
05/14/1996	\$300.00
05/15/1996	\$120.00 PL
05/20/1996	\$96.12 PL
05/21/1996	\$16.09 O
05/26/1996	\$1,400.00 PL
05/26/1996	\$2,400.00 PL
05/28/1996	\$384.70 O
05/29/1996	\$586.12 IR
06/06/1996	\$5.89 IR
06/13/1996	\$45.00
06/14/1996	\$800.00 O
06/17/1996	\$986.81 MR
06/18/1996	\$3,000.00 PL
06/21/1996	\$9.52 IR
06/25/1996	\$34.00 IR
06/26/1996	\$92.95 O
06/28/1996	\$3,000.00 PC
06/28/1996	\$3,000.00 PC
07/08/1996	\$500.00 IR

07/09/1996	\$5,040.00	O
07/11/1996	\$372.72	PC
07/17/1996	\$1,680.00	PC
07/22/1996	\$990.00	O
07/30/1996	\$350.00	O
08/02/1996	\$1,020.00	O
08/07/1996	\$1,400.00	O
08/09/1996	\$3,000.00	O
08/12/1996	\$510.00	O
08/12/1996	\$780.00	O
08/20/1996	\$1,020.00	O
08/22/1996	\$30,000.00	O
08/27/1996	\$519.95	IR
09/02/1996	\$400.00	O
09/10/1996	\$176.00	IR
09/11/1996	\$493.00	O
09/13/1996	\$720.00	O
09/13/1996	\$930.00	IR
09/16/1996	\$261.64	MR
09/19/1996	\$340.56	MC
09/24/1996	\$1,400.00	PL
09/27/1996	\$100.00	PC
10/04/1996	\$1,008.00	O
10/09/1996	\$361.00	IR
10/10/1996	\$1,008.00	O
10/15/1996	\$1,356.00	O
10/17/1996	\$1,800.00	PC
10/23/1996	\$759.05	IR
10/24/1996	\$3,000.00	O
10/31/1996	\$763.82	O
11/04/1996	\$443.00	O
11/06/1996	\$300.00	IR
11/14/1996	\$510.00	O
11/18/1996	\$38.75	O
12/06/1996	\$11.63	IR
01/03/1997	\$41.91	IR
01/06/1997	\$437.96	
01/17/1997	\$300.00	PL
02/14/1997	\$480.00	O
02/21/1997	\$53.18	IR
02/22/1997	\$758.00	PC
02/27/1997	\$408.85	IR
03/06/1997	\$323.10	IR
03/10/1997	\$525.60	O
03/10/1997	\$32,400.00	O
03/14/1997	\$32,400.00	O
03/19/1997	\$525.60	O
03/19/1997	\$525.60	O
03/31/1997	\$2,400.00	O
04/01/1997	\$14,400.00	IR
04/25/1997	\$1,051.20	O

05/12/1997	\$1,260.00	PC
05/21/1997	\$381.00	PC
06/12/1997	\$32,400.00	O
06/25/1997	\$292.00	MR
07/01/1997	\$10,000.00	
07/03/1997	\$20.00	MR
07/07/1997	\$1,051.20	O
07/08/1997	\$525.60	O
07/09/1997	\$750.67	IR
07/11/1997	\$4,000.00	MR
07/14/1997	\$525.60	O
07/15/1997	\$276.48	SR
07/20/1997	\$1,800.00	MR
07/29/1997	\$32,400.00	O
07/30/1997	\$512.58	IR
07/30/1997	\$525.60	PC
07/30/1997	\$3,394.00	MR
08/01/1997	\$7.20	IR
08/01/1997	\$1,000.00	O
08/05/1997	\$1,800.00	O
08/06/1997	\$3,240.00	O
08/08/1997	\$205.00	MR
08/15/1997	\$287.23	IR
08/19/1997	\$9,150.00	
08/26/1997	\$720.00	PC
08/28/1997	\$741.38	IR
08/29/1997	\$31.99	MR
09/01/1997	\$240.00	O
09/10/1997	\$319.49	IR
09/12/1997	\$410.00	O
09/15/1997	\$1,800.00	MR
10/02/1997	\$2,119.85	IR
10/03/1997	\$2,400.00	O
10/09/1997	\$45.00	MR
10/10/1997	\$524.15	IR
10/16/1997	\$32,400.00	O
10/21/1997	\$525.60	
10/22/1997	\$525.60	
10/23/1997	\$525.60	
10/24/1997	\$525.60	PC
10/24/1997	\$2,527.67	IR
10/25/1997	\$525.60	PC
10/29/1997	\$270.00	O
11/11/1997	\$127.50	O
11/21/1997	\$402.00	PL
11/25/1997	\$1,200.00	?
11/29/1997	\$4,536.00	PC
12/01/1997	\$525.60	MP
12/02/1997	\$277.00	MR
12/05/1997	\$525.60	MP
12/08/1997	\$3,491.85	MR

12/09/1997	\$330.03	IR
12/09/1997	\$842.89	IR
12/16/1997	\$525.60	PL
12/28/1997	\$1,715.43	IR
01/08/1998	\$525.60	○
01/12/1998	\$800.00	○
01/21/1998	\$183.20	MR
01/21/1998	\$525.60	○
02/02/1998	\$3,000.00	
02/10/1998	\$525.60	○
02/10/1998	\$1,400.00	
02/11/1998	\$149.98	○
02/16/1998	\$271.00	IR
02/27/1998	\$525.60	
03/03/1998	\$87.00	○
03/04/1998	\$525.60	○
03/04/1998	\$1,470.50	MR
03/05/1998	\$525.60	○
03/05/1998	\$1,285.87	○
03/06/1998	\$20.00	○
03/10/1998	\$2,400.00	○
03/10/1998	\$4,247.00	MR
03/11/1998	\$525.60	MP
03/12/1998	\$900.00	○
03/20/1998	\$95.00	IR
03/25/1998	\$309.04	IR
03/25/1998	\$325.75	IR
04/06/1998	\$600.00	PL
04/09/1998	\$8,000.00	○
04/10/1998	\$1,800.00	○
05/01/1998	\$493.33	IR
05/07/1998	\$111.00	MR
05/07/1998	\$122.40	MC
05/10/1998	\$715.25	IR
05/18/1998	\$184.50	○
05/26/1998	\$525.60	○
05/27/1998	\$525.60	○
06/20/1998	\$434.50	IR
07/06/1998	\$34,428.00	○
07/08/1998	\$525.60	○
07/09/1998	\$1,200.00	○
08/04/1998	\$525.60	○
08/10/1998	\$760.00	MR
08/12/1998	\$99.45	MR
08/17/1998	\$27.85	MR
08/17/1998	\$525.60	○
08/19/1998	\$365.00	
08/19/1998	\$525.60	○
08/21/1998	\$5,105.60	○
08/24/1998	\$809.83	IR
08/25/1998	\$525.60	○

08/25/1998	\$525.60	O
08/31/1998	\$525.60	O
09/03/1998	\$525.60	PC
09/25/1998	\$625.60	O
10/13/1998	\$64.50	O
10/13/1998	\$65.00	O
10/26/1998	\$35,628.00	O
11/06/1998	\$825.60	O
11/09/1998	\$525.60	O
11/13/1998	\$450.00	MR
11/25/1998	\$34,428.00	O
	\$360.00	PL

Date	Amount	Type
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\$877,224.93

REIMBURSEMENT TYPE KEY

PC	PREMIUM CANCELED
PL	PREMIUM LOWERED
MR	MEDICARE REIMBURSEMENT
IR	INSURANCE REIMBURSEMENT
O	OTHER

NORTH DAKOTA SENIOR HEALTH INSURANCE COUNSELING PROGRAM COUNSELING REPORT FORM

Sponsor _____ Volunteer _____
 City _____ Date _____

2. Time Spent With/On Behalf of Client _____ Hours

3. Possible Violation: _____ Yes _____ No
 If yes:
 Reported to _____
 Date _____

4. Financial Benefit to Client \$ _____
 _____ Premium Canceled
 _____ Premium Lowered
 _____ Medicare Reimbursement
 _____ Insurance Reimbursement
 _____ Other _____

5. Reason for Contact (check all that apply)

Medicare _____ Explanation _____ Claims _____ Appeals	Medicare Supplement _____ Explanation _____ Claims _____ Abuse	Long-Term Care _____ Explanation _____ Claims _____ Abuse	Other _____ HMO _____ Other Insurance _____ Medicaid
--	---	--	---

Summary of Counseling Provided (Explain)

Client's Name _____
 Address _____
 _____ Telephone No. _____

**Department 401 - Insurance Department, including payments to Fire Departments
 Senate Bill No. 2010**

	FTE Positions	General Fund	Other Funds	Total
1999-2001 Executive Budget	45.50	\$0	\$11,101,000	\$11,101,000
1997-99 Legislative Appropriations	45.50	0	10,789,547	10,789,547
Increase (Decrease)	0.00	\$0	\$311,453	\$311,453

Major Items Affecting Insurance Department 1999-2001 Budget

	General Fund	Other Funds	Total
1. Adds funding for a salary equity adjustment for the commissioner		\$8,015	\$8,015
2. Increases funding for equipment in accordance with the agency's information technology plan. This funding will provide for a 4-year replacement cycle for personal computers.		112,710	112,710
3. Includes \$5.2 million from the insurance tax distribution fund for payments to fire departments, the same level of funding provided for the 1997-99 biennium			
4. Includes the statutory changes necessary to increase the commissioner's salary as follows:			

Annual Salary Authorized by the 1997 Legislative Assembly		Proposed Annual Salary Recommended in the 1999-2001 Executive Budget	
1998	1999	2000	2001
\$55,487	\$57,120	\$62,364	\$64,236

Major Legislation Affecting Insurance Department

No major legislation has been introduced at this time affecting this agency.

Fire districts

**TESTIMONY BEFORE THE
BUDGET SECTION
BY KEN ROOD
NORTH DAKOTA INSURANCE DEPARTMENT
DECEMBER 11, 1998**

Mr. Chairman and Members of the Committee:

My name is Ken Rood and I am the Accountant for the North Dakota Insurance Department and have been asked to appear before you today to provide you the report regarding fire district payments.

The North Dakota Insurance Department administers the payment of certain funds to each of the fire districts in the state pursuant to statutory provisions setting out the process (N.D. Cent. Code §§ 18-04-04 and 18-04-04.1, attached) and the formula (N.D. Cent. Code § 18-04-05, attached) by which fire district payments are determined for each district. During the 1997 Legislative Session, certain legislators contacted the Department about concerns regarding variances in the fire district payments from year to year to individual districts. The Legislature, through the enactment of the following provision in the Insurance Department's appropriations bill, House Bill No. 1010, directed the Department to examine this matter further and to take steps to stabilize the distributions of funds to the fire districts. Section 8 of House Bill No. 1010 states:

Legislative intent - Budget section report. It is the intent of the legislative assembly that the insurance commissioner utilize twenty-five thousand dollars appropriated in section 1 of this Act to analyze during the biennium beginning July 1, 1997, and ending June 30, 1999, the amount of insurance payments to fire departments distributed to fire districts in fiscal years 1996, 1997, and 1998 and present a report to the budget section in December 1998 containing the commissioner's findings and actions taken to stabilize the distribution of funds to each fire district.

How Does the Statutory Formula for Determination of Fire District Payments Work?

Pursuant to N.D. Cent. Code § 26.1-03-17, the Insurance Department collects a tax on the gross amount of insurance premiums sold within the state at a rate of 2 percent with respect to life insurance and 1.75 percent with respect to all other lines of insurance, including property insurance coverages. Collections from this tax are deposited into the Insurance Tax Distribution Fund, but not in an amount exceeding \$2,600,000 per year, which represents one-half of the biennial appropriation for distribution to all fire districts. The balance of the premium tax collected is deposited in the general fund and amounts to approximately \$18 million per year.

Each fire district receives its pro rata share of the total distribution of \$2.6 million annually, based on the proportion that the total premium, pertaining to certain property coverages, collected in a particular fire district bears to the total premium related to the same type of

coverage collected in the entire state. For example, if the total premium collected in a particular fire district related to the certain property lines of coverage is \$10 million, and the total collected in the state is \$200 million, the fire district would receive $\$10 \text{ million} / \$200 \text{ million} = 5\% \times \$2.6 \text{ million} = \$130,000$. Likewise, a fire district which had only \$2,000,000 of premium would receive $\$2,000,000 / \$200 \text{ million} = 1\% \times \$2.6 \text{ million} = \$26,000$.

Why Do Variances Occur?

Obviously, due to the nature of the statutory formula, the volume of premium written in each fire district, which could vary significantly from year to year, essentially drives the amount of the fire district payment each fire district will receive in any given year. The volume of premium written in each fire district and in the state varies from year to year due to many factors including consumer interest, rate changes, and marketing efforts.

The premium information that goes into the formula from which the fire district payments are derived is provided to the Insurance Department by insurance companies that have written this business in North Dakota. Insurance agents who place the business in North Dakota on behalf of insurance companies are responsible to provide fire district codes on the insurance application indicating in which fire district the property covered by the insurance applied for is located so that the insurance company can compile that information for provision to the Insurance Department. Clearly, errors could be made along this path of information processing, giving rise to other reasons for variances in fire district payments from year to year.

What Has the Department Done in the Past to Stabilize the Distribution of Funds to Fire Districts?

Historically the Department has performed an analysis of each variance which appeared excessive and upon inquiry by any of the fire districts about their individual payment. These analyses usually result in the discovery of an error in the information provided to the Department or a reasonable explanation of why a variance occurred. We have also historically performed a number of cross checks to assure that the information provided by the insurance companies is accurately stated to us. Additionally, the Department has taken steps in the past to provide better information and education to the individual fire districts so they better understand the mechanics of the formula, while we recognize that without changing the formula upon which the fire district payments are based, there is no way to completely eliminate variances from year to year in the individual fire district payments.

Steps Taken by the Insurance Department Pursuant to Legislative Directive

The Legislature appropriated funds to the Insurance Department during the last legislative session to analyze the fire district payments and to take action to stabilize those payments.

The Department's Accountant who was historically in charge of the fire district payment process left the Department in the spring of 1997 and was replaced with a new Accountant possessing

more substantial accounting credentials and analytical and audit experience. We believe these qualifications are necessary to enhance the procedures previously in place at the Department, to perform a more in-depth analysis of the variances of fire district payments, and to determine the reason for these variances.

In addition to continuing all of the measures previously implemented by the Department to minimize the variance in fire district payments and to eliminate erroneous data, we produced a comprehensive report derived from the database containing the fire district premium information, and with the assistance of our Property and Casualty Actuary, performed a series of variance analyses to more specifically identify variances that seemed abnormal. Each variance identified was analyzed by reviewing source information provided to the Department by the insurance companies for accuracy. Additionally, contacts were made as necessary with each company to verify data, and to explain variances in year-to-year data, and if necessary, to require additional documentation from the company.

Of the 389 fire districts in the state, we analyzed premium information of 128 fire districts with the greatest variances. All variances identified were ultimately resolved by:

1. Correcting erroneous data submitted to the Department by the insurance company;
or
2. Receipt from the company of sufficient information to explain the variance in data provided to the Department from year to year.

Results

As a result of steps taken by the Department pursuant to the direction of the Legislature, fire district payments are more accurately determined resulting in fewer inquiries from fire districts. All significant variances were resolved to our satisfaction although once again, as indicated earlier, based on the current statutory formula, there is no way to eliminate all variances in fire district payments from year to year. Additionally, we have created a system allowing us to track the historical data more effectively, which will allow us to identify more readily those fire districts to which our attention should be directed. We believe the Legislature took an appropriate step by allocating resources to this issue and that, as a result, we can ensure that fire districts are treated more equitably.

On behalf of the Insurance Department, thank you for the opportunity to give the Budget Section this report. If you have any questions, I would be happy to try to answer them.

§ 18-04-04. Insurance companies to report fire, allied lines, homeowner's multiple peril, farmowner's multiple peril, and commercial multiple peril insurance premium collections--Form furnished by commissioner of insurance

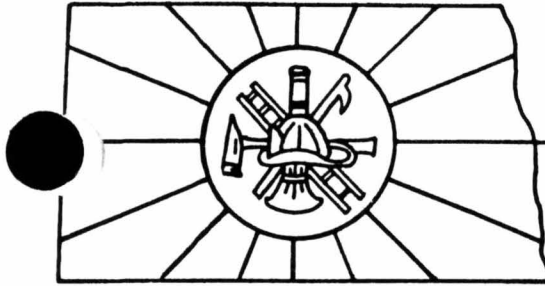
The commissioner of insurance, when he forwards to an insurance company which is issuing policies for fire, allied lines, homeowner's multiple peril, farmowner's multiple peril, and commercial multiple peril insurance in this state the form to be used in submitting its annual statement, shall forward a form containing the names of all cities and all rural fire protection districts or rural fire departments entitled to benefits under the provisions of this chapter. Every insurance company issuing policies for fire, allied lines, homeowner's multiple peril, farmowner's multiple peril, and commercial multiple peril insurance within this state shall complete such form by showing thereon the amount of all premiums received by it upon such policies issued on property within the corporate limits of each city shown on such form and on property within the boundaries of each rural fire protection district shown on such form or property within the boundaries of each rural fire department as certified by the state fire marshal during the year ending on the preceding thirty-first day of December, and shall file the same as a part of its annual statement.

§ 18-04-04.1. Insurance tax distribution fund

The insurance tax distribution fund is a special fund in the state treasury. The portion of revenue provided in section 26.1-03-17 must be deposited in the fund for disbursement as provided in this chapter, subject to legislative appropriation.

§ 18-04-05. Amount due cities, rural fire protection districts, or rural fire departments-- Payments by commissioner of insurance

The commissioner of insurance shall compute the amounts due to the city fire departments, certified rural fire departments, or fire protection districts entitled to benefits under this chapter on or before September first of each year. The commissioner of insurance shall allocate one-half of the biennial legislative appropriation for distribution under this section to each eligible city not within a fire protection district, each rural fire protection district organized under this title, and each rural fire department certified by the state fire marshal, and pay the amount allocated in September of each year. The allocation must be made in proportion to the amount of insurance company premiums received by insurance companies pursuant to section 26.1-03-17 for policies for fire, allied lines, homeowner's multiple peril, farmowner's multiple peril, commercial multiple peril, and crop hail insurance on property within the city, rural fire protection district, or area served by the certified rural fire department to the total of those premiums for those policies in the state.



North Dakota Firemen's Association

P.O. Box 6127
Bismarck, North Dakota 58506-6127

Organized June 4, 1884. Incorporated January 20, 1901.

SENATE BILL NO. 2010

Mr. Chairman, members of the Committee, my name is Lois Hartman. I am the Executive Director of the North Dakota Firemen's Association. I am appearing this morning in favor of SB 2010. Section 2 of this bill contains the appropriation for the Insurance Premium Tax payments to Fire Departments. This appropriation amount has remained essentially the same over the past ten years.

For many of the 389 fire departments in North Dakota, this appropriation is a major source of revenue. It is used to purchase and maintain their equipment or to provide training of the volunteer firefighters. Your continued support for this appropriation will be appreciated.

Mr. Chairman, if you or the committee members have questions, I would be happy to answer them. Thank you.



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

Insurance Department Response to Red River Flood

- **Wed., February 19, 1997** News release encouraging North Dakota Consumers to purchase flood insurance (Attachment 1).
- **Saturday, April 19 and Sunday, April 20, 1997** Flood crests in Grand Forks, North Dakota.
- **Monday, April 21, 1997** Telephone conversation with Spence Perry, Administrator, National Flood Insurance Program (NFIP).
- **Tuesday, April 22, 1997** Telephone conversation with James Shortley, Claims Director, NFIP.

News release encouraging flood victims to call the Insurance Department toll free with flood insurance questions or to help track down their agent or company. Also encouraged dislocated agents to report temporary address (Attachment 2).
- **Wednesday, April 23, 1997** Commissioner Pomeroy and James Shortley tour Grand Forks (Attachment 3).

Bulletin to insurance companies requesting extension of time for premium payment (Attachment 4).

Memo to insurance companies requesting names and addresses of policyholders in the Red River Valley (Attachment 5).

News release regarding premium extension request (Attachment 6).
- **Thursday, April 24, 1997** Commissioner Pomeroy and James Shortley tour Fargo, meet with media, and announce NFIP \$2,000 cash advance (Attachment 7).

News release concerning public adjusters (Attachment 8).

*Flood
Response*

- **Friday, April 25, 1997** Commissioner Pomeroy and AFLAC announce \$175,000 premium forgiveness for AFLAC's insureds in the Red River Valley (Attachment 9).

News release announcing Insurance Department hotline to remain open throughout the weekend (Attachment 10).
- **Saturday, April 26 and Sunday, April 27, 1997** Hotline received 92 calls; all unanswered calls from Friday were returned.
- **Monday, April 28, 1997** Produced 30 second PSA regarding public adjusters for a two-week run in the Red River Valley beginning April 29 (Attachment 11).
- **Tuesday, April 29, 1997** Commissioner Pomeroy began a series of meetings which were held over the next several months with insurance company officials regarding sewer backup endorsement.
- **Thursday, May 1, 1997** Commissioner Pomeroy and staff tour Grand Forks.
- **Friday, May 2, 1997** Insurance Department joins NFIP in opening an office in Fargo (Attachment 12).
- **Monday, May 5, 1997** Consumer education material developed. "Flood of 1997: Insurance Questions and Answers" (Attachment 13), and "How to Submit an Insurance Claim" (Attachment 14).
- **Monday, May 13, 1997** Insurance Department opens flood response office in Grand Forks (Attachment 15).



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

NEWS RELEASE

For Immediate Release: February 19, 1997

INSURANCE COMMISSIONER ENCOURAGES HOMEOWNERS TO CONSIDER FLOOD INSURANCE . . . BEFORE IT'S TOO LATE

The National Weather Service is predicting severe flooding potential in North Dakota this spring, and North Dakota Insurance Commissioner Glenn Pomeroy is urging state residents to carefully review their flood insurance protection.

"Many people believe they are covered for potential flood loss through their standard homeowners policy," Pomeroy said. "This is simply not the case, and it is good to be aware of that before the spring flood water is lapping at your doorstep."

Pomeroy said that typical homeowners policies specifically exclude damage from floods. Flood coverage may be obtained through the National Flood Insurance Program (NFIP) and may be purchased through many local agents who sell property and casualty insurance.

NFIP flood coverage is available to protect homes, condominiums and nonresidential buildings, including farm and commercial structures. Depending upon the level of protection purchased, coverage under this program can include:

- structural elements, including walls, floors, equipment and fixtures
- contents, such as furniture, appliances, carpeting and wall and floor coverings
- personal items like clothing and televisions
- basement cleanup and expenses

"I've done my share of sandbagging in my hometown of Valley City, and I know how devastating a flood can be," Pomeroy said. "It looks like this will be a tough spring in many parts of our state, and we need to do everything we can to make sure people act now because there is a 30-day waiting period from the time of application before flood insurance coverage is effective."

"Anyone who might be affected by rising waters this spring should check with their insurance agent today about the National Flood Insurance Program," Pomeroy said.

For more information about flood insurance please contact the NFIP toll free at 1-800-427-4661.



Glenn Pomeroy
Commissioner of Insurance

DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

NEWS RELEASE

For Immediate Release: April 22, 1997

**INSURANCE COMMISSIONER ENCOURAGES RED RIVER FLOOD VICTIMS TO
CONTACT THE INSURANCE DEPARTMENT WITH QUESTIONS**

North Dakota Insurance Commissioner Glenn Pomeroy today invited North Dakota victims of the Red River flood to call the Insurance Department toll free if they have an insurance related question.

The toll free number for the North Dakota Insurance Department is 1-800-247-0560.

“We are hearing from some flood victims who were forced to leave their homes in Grand Forks and now need help piecing together their insurance situation,” Pomeroy said. “These people were forced to flee and leave behind items like insurance records, and now may not even be able to track down their insurance agent because the agency is under water.”

“If someone can contact their agent or company directly, they should do so, but for those people who don't know where to turn to begin sorting out their situation – we can help,” Pomeroy said.

Commissioner Pomeroy also asked dislocated insurance agents to call the Insurance Department and furnish the Department with their company address and phone number.

“The recovery from this disaster is going to take a very long time. If there is anything the Insurance Department can do in the short run to help any victim deal with their insurance-related questions, we are just a phone call away,” he said.



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

May 1, 1997

Spence Perry, Administrator
National Flood Insurance Program
FEMA
Federal Center Plaza
500 C Street SW
Washington, DC 20472

Dear Mr. Perry:

As you know, over the weekend of April 19 and 20, eastern North Dakota was hit with a devastating flood. While many farms and portions of Fargo and other small towns suffered damage, Grand Forks was entirely evacuated and most of the city was severely damaged or destroyed by heavy flooding and uncontrollable fires.

You and I spoke by phone the following Monday evening, and we are in complete agreement that this extremely serious situation required immediate action. Early the next morning, National Flood Insurance Program (NFIP) Claims Director, James Shortley called to tell me he would be flying to North Dakota the very next day. He said he was interested in seeing the devastation first hand and would begin the process of establishing swift and efficient claims processing capabilities.

I wish to thank you for, and highly commend the work of Mr. Shortley during his visit to North Dakota last week. He and I spent two very long days together. During this time, we saw first hand the ravaged business section and flooded neighborhoods of Grand Forks. We walked along failed and muddy dikes in Fargo and visited with victims listening to their experiences. We met with countless members of the media – informing them of the NFIP, announcing the \$2,000 advance policy once it became finalized, and educating the flood victims of the Red River Valley about the claims filing process. We studied the construction of the claims processing and adjusting infrastructure that was busily being assembled in the eastern part of North Dakota toward the weeks end.

Spence Perry
May 1, 1997
Page -2-

Mr. Shortley served as an outstanding representative of the NFIP and the U.S. Government. The people of North Dakota, especially the shell-shocked and anxious NFIP policy holders, greatly benefited from his visit to our state and I thank you very much.

Sincerely,



Glenn Pomeroy
ND COMMISSIONER OF INSURANCE

cc: James Lee Witt, Director, FEMA
U.S. Senator Kent Conrad
U.S. Senator Bryon Dorgan
U.S. Representative Earl Pomeroy

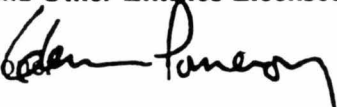


DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

BULLETIN 97-1

TO: All Insurance Companies and Other Entities Licensed in North Dakota

FROM: Glenn Pomeroy, Commissioner 

DATE: April 23, 1997

SUBJECT: Deferral of Premium Payments and Policy Time Frames for Flood Victims in the Red River Valley

SCOPE AND APPLICABILITY

This bulletin pertains to all insurance companies and other entities authorized to transact business in the State of North Dakota, regardless of the line of insurance the company is authorized to write. The purpose of this bulletin is to notify companies of the Commissioner's request that they allow their insureds to defer premium payments coming due before the end of May, and to extend any and all provisions imposing time constraints within which insureds must take certain action. The request comes in response to the tragic flood in the Red River Valley of eastern North Dakota. This request is applicable to either insureds residing in or property insured in the following areas by zip code:

Richland County

Abercrombie 58001	Galchutt 58075	Wahpeton 58074,
Barney 58008	Great Bend 58039	58075
Christine 58015	Hankinson 58041	Walcott 58077
Colfax 58018	Lidgerwood 58053	Wyndmere 58081
Dwight 58075	Mantador 58058	
Fairmount 58030	Mooreton 58061	

Cass County

Absaraka	58002	Fargo	58102, 58103,	Page	58064
Alice	58003		58104, 58105,	Prairie Rose	58104
Amenia	58004		58106, 58107,	Reilies Acres	58102
Argusville	58005		58108, 58109	Riverside	58078
Arthur	58006	Frontier	58104	Tower City	58071
Ayr	58007	Gardner	58036	West Fargo	58078
Briarwood	58104	Grandin	58038	Wheatland	58079
Buffalo	58011	Harwood	58042		
Casselton	58012	Hunter	58048		
Chaffee	58014	Kindred	58051		
Davenport	58021	Leonard	58052		
Embden	58079	Mapleton	58059		
Erie	58029	North River	58102		

Walsh County

Adams	58210	Fordville	58231	Lankin	58250
Ardoch	58213	Forest River	58233	Minto	58261
Edinburg	58227	Grafton	58237	Park River	58270
Fairdale	58229	Hoople	58243	Pisek	58273

Grand Forks County

Arvilla	58214	Inkster	58244	Niagara	58266
Emerado	58228	Larimore	58251	Northwood	58267
Gilby	58235	Manvel	58256	Reynolds	58275
Grand Forks	58201,	Mekinock	58258	Thompson	58278
	58202, 58203,				
	58204, 58206,				
	58208				

Pembina County

Backoo	58282	Glasston	58236	Mountain	58262
Bathgate	58216	Hamilton	58238	Neché	58265
Cavalier	58220	Hensel	58241	Pembina	58271
Crystal	58222	Joliette	58271	St. Thomas	58276
Drayton	58225	Leroy	58282	Walhalla	58282

Trail County

Blanchard	58009	Cummings	58223	Kelso	58045
Buxton	58218	Galesburg	58035	Mayville	58257
Caledonia	58219	Hatton	58240	Portland	58274
Clifford	58016	Hillsboro	58045		

NOTIFICATION

As you are undoubtedly aware, the flood which is taking place in the Red River Valley of eastern North Dakota is devastating. Flood victims are facing an extremely trying time ahead. The thoughts and prayers of the entire state are with each person who has been in some way touched by this catastrophic event.

The response to this tragic event by the citizens of North Dakota has been truly inspiring. Friends have labored alongside one another to save their neighborhoods. Communities have bonded together to help fend off the relentless waters of the flood. Indeed, the entire state has mobilized to help those who are in need. In such times, the business community of North Dakota should be called upon to do its part in combating this natural disaster just as North Dakota citizens have done on an individual basis. As such, I am requesting that all insurance companies and other entities authorized to transact business in this state give their customers affected by this disaster the option of deferring premium payments coming due before the end of May, interest free, for up to 60 days from the original premium due date. Further, as to any policy provision which imposes a time limit on an insured or claimant to perform any act, including the transmittal of information or funds, with respect to a contract of insurance, I am requesting companies extend such time limits 60 days from the last day allowed under the terms of the contract, or any longer period which may be deemed reasonable under the specific circumstances related to that insured or claimant. No additional rate filing will be necessary to effect the deferral requested. Any insurer unable or unwilling to comply with this request must inform the North Dakota Insurance Department of the reasons for its inability or unwillingness to comply within five working days from receipt of this bulletin. Direct responses to:

Chris Edison
Legal Counsel
North Dakota Insurance Department
600 East Boulevard Avenue
Bismarck, ND 58505

It is my sincere hope that every company will abide by this request. Not only is this a matter of good corporate citizenship, it is simply the right thing to do. During this trying time, flood

Bulletin 97-1
April 23, 1997
Page Four

victims should only have to concern themselves with getting their lives back together. They should not have to worry about paying the insurance premium for the coverage they will so desperately need to help them recover from this tragedy. I applaud the efforts of those insurance companies who have already instituted a program for deferral of premiums and urge, in terms that cannot be overstated, all other companies to take a similar course.

GP/njb



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

April 23, 1997

TO: Insurance Companies Writing Business in North Dakota

As you know, the Red River Valley in eastern North Dakota is experiencing a severe flood. North Dakotans in this area have been working valiantly to contain the damage and loss from this tragedy. As of Saturday, April 19, some cities in the northern reaches of the valley were forced to evacuate. It is anticipated that it will be weeks or months before people can return to assess the damage.

The flood caused many families to leave their homes on an emergency basis. As a result, many people cannot identify the name of their insurance company or agent, or if they know who their agent is, cannot locate he or she because they have been displaced from their homes and offices, too. The North Dakota Insurance Department has begun to receive calls from these people soliciting the Department's assistance in trying to locate their agents or companies. In an attempt to facilitate the link up of consumers to agents and companies, we are urgently requesting the following information from your company.

For the following zip codes, please provide us a list of policyholders, alphabetically by the policyholder's last name, for homeowners, personal automobile, farmowners, tenants, flood, life, annuity, accident, and health lines of insurance. The list should be provided on hard copy, as well as diskette (3.5"), and should be grouped by line and arranged by zip code in numeric order per the attached layout sheet, and include policyholder's name, address, policy type, policy numbers, company name, NAIC code number, and agent's name. To facilitate our expeditious creation of a data base during this critical time period, we ask that you provide the information in one of the following formats:

Excel Spreadsheet
Lotus Spreadsheet (Release 4.0 or older)
Access Database

April 23, 1997
Page Two

Grand Forks County

Arvilla	58214	Inkster	58244	Niagara	58266
Emerado	58228	Larimore	58251	Northwood	58267
Gilby	58235	Manvel	58256	Reynolds	58275
Grand Forks	58201, 58202, 58203, 58204, 58206, 58208	Mekinock	58258	Thompson	58278

Pembina County

Backoo	58282	Glasston	58236	Mountain	58262
Bathgate	58216	Hamilton	58238	Neché	58265
Cavalier	58220	Hensel	58241	Pembina	58271
Crystal	58222	Joliette	58271	St. Thomas	58276
Drayton	58225	Leroy	58282	Walhalla	58282

Walsh County

Adams	58210	Fordville	58231	Lankin	58250
Ardoch	58213	Forest River	58233	Minto	58261
Edinburg	58227	Grafton	58237	Park River	58270
Fairdale	58229	Hoople	58243	Pisek	58273

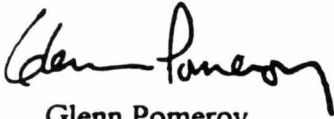
Time is a critical factor. Your prompt response will greatly enhance our ability to help your insureds. As such, please provide the requested information within five working days of receipt of this letter. Responses or questions should be directed to:

Larry Maslowski, Senior Analyst
OR
Mike Andring, Property and Casualty Actuary
N.D. Insurance Department
600 East Boulevard Avenue
Bismarck, ND 58505
Telephone: (701) 328-2440
Fax: (701) 328-4880
E-mail: mmail.lmaslows@ranch.state.nd.us

April 23, 1997
Page Three

Thank you for your prompt assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Pomeroy". The signature is written in a cursive style with a large initial "G" and a long, sweeping underline.

Glenn Pomeroy
Commissioner
N.D. Insurance Department

GP/njb
Attachment

RECOMMENDED LAYOUT OF POLICYHOLDER INFORMATION

Policyholder					Policy		Company Name	NAIC #	Agent
Zipcode	Last Name	First Name	Street Address	City	Type	Number			
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- Policy Types:
- HO Homeowners
 - FO Farmowners
 - PA Private Passenger Auto
 - TN Tenants/Renters
 - WF Flood (Write Your Own)
 - LI Life
 - AN Annuity
 - AH Accident/Health

Data can be captured in one of the following ways:

- Excel Spreadsheet
- Lotus Spreadsheet (Release 4.0 or older)
- Access Database



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

NEWS RELEASE

For Immediate Release: April 23, 1997

**INSURANCE COMMISSIONER ASKS COMPANIES TO GRANT PREMIUM
PAYMENT DEFFERMENT**

North Dakota Insurance Commissioner Glenn Pomeroy today urged all insurance companies to allow their customers affected by the Red River flood additional time to make premium payments for the months of April and May. Pomeroy made the request on behalf of residents of Pembina, Walsh, Grand Forks, Traill, Cass and Richland counties – the counties in the Red River Valley.

The following is an excerpt from Commissioner Pomeroy's notice to insurance companies:

"As you are undoubtedly aware, the flood which is taking place in the Red River Valley of eastern North Dakota is devastating. Flood victims are facing an extremely trying time ahead. The thoughts and prayers of the entire state are with each person who has been in some way touched by this catastrophic event.

The response to this tragic event by the citizens of North Dakota has been truly inspiring. Friends have labored alongside one another to save their neighborhoods. Communities have bonded together to help fend off the relentless waters of the flood. Indeed, the entire state has mobilized to help those who are in need. In such times, the business community of North Dakota should be called upon to do its part in combating this natural disaster just as North Dakota citizens have done on an individual basis. As such, I am requesting that all insurance companies and other entities authorized to transact business in this state give their customers affected by this disaster the option of deferring premium payments coming due before the end of May, interest free, for up to 60 days from the original premium due date. . . . Any insurer unable or unwilling to comply with this request must inform the North Dakota Insurance Department of the reasons for its inability or unwillingness to comply within five working days from receipt of this bulletin.

It is my sincere hope that every company will abide by this request. Not only is this matter of good corporate citizenship, it is simply the right thing to do. During this trying time, flood victims should only have to concern themselves with getting their lives back together. They should not have to worry about paying the insurance premium for the coverage they will so desperately need to help them recover from this tragedy. I applaud the efforts of those insurance companies who have already instituted a program for deferral of premiums and urge, in terms that cannot be overstated, all other companies to take a similar course."



Federal Emergency
Management Agency

Office of Emergency Information and Media Affairs, Washington, D.C. 20472

(202) 646-4600

NEWS

Media Contact:

Mark Stevens

Release No.: 97-129

Release Date:

April 24, 1997

IMMEDIATE PARTIAL PAYMENTS AVAILABLE TO FLOOD INSURANCE POLICYHOLDERS

WASHINGTON – The Federal Emergency Management Agency (FEMA) announced today that flood insurance policyholders in North Dakota, South Dakota and Minnesota who have sustained losses in the recent flooding are eligible to receive an immediate partial claims payment of up to \$2,000 to help with their initial recovery costs.

Officials of the Federal Insurance Administration, the part of FEMA that administers the National Flood Insurance Program (NFIP), said policyholders should contact their flood insurance agent or company to begin the claims process.

On Wednesday, April 23, Commissioner Glenn Pomeroy of the North Dakota Department of Insurance and James Shortley, Director of Claims, Federal Insurance Administration, surveyed the widespread damage in Fargo and Grand Forks, N.D. They noted that policyholders might have difficulty contacting their insurance agents because they, too, have been displaced.

To assist North Dakota's flood insurance policyholders, Commissioner Pomeroy has established a toll-free number, 1-800-247-0560. The Insurance Department staff will take down the necessary information and ensure that it is given to the appropriate people so an adjuster can be assigned and the partial payment issued.

"We appreciate Commissioner Pomeroy's swift action to assist policyholders," said FEMA Director James Lee Witt.

"Returning to a flood-damaged home or business is devastating," Witt said. "Recovering from this disaster is your goal, and we want to make sure that the process is as fast and easy for you as possible."

The NFIP makes federally backed flood insurance available in communities that adopt and enforce local ordinances to reduce future flood losses. Currently, more than 3.6 million policies are in force nationwide, representing \$383 billion worth of coverage. For information about flood insurance, contact the NFIP's toll-free hotline at 1-800-427-4661.



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

NEWS RELEASE

For Immediate Release: April 24, 1997

**INSURANCE COMMISSIONER WARNS RED RIVER FLOOD VICTIMS ABOUT USING
PUBLIC ADJUSTERS**

North Dakota Insurance Commissioner Glenn Pomeroy today warned Red River Valley flood victims about the use of public adjusters. He advises all flood victims to seriously consider whether the use of a public adjuster is necessary before making the decision to utilize their services.

"We know that there will be an influx into North Dakota of individuals known as 'public adjusters' in response to the tragic flood occurring in the Red River Valley," Pomeroy said. "In order for consumers to know whether signing a contract with a public adjuster is advisable for them, they must first understand how the process of adjusting a claim normally takes place and the difference between a public and a private adjuster."

Pomeroy explained that private adjusters are those individuals who work either as an employee of an insurance company or contract on an independent basis with a company. At the time of a major property loss, it is customary for the insurance company to send a private adjuster to appraise the loss and determine the amount of damages an insured has suffered.

Public adjusters on the other hand contract directly with an insured. Their commission is deducted from the insurance proceeds paid to the consumer. The public adjuster performs an appraisal of the loss and determines the amount of damages on behalf of the insured. "These public adjusters promise people that they will be able to negotiate a better settlement from the insurance company because they work for the consumer," Pomeroy said. "However, it is not always the case that the public adjuster will be able to negotiate a better settlement for the consumer but the commission payment will always be deducted from the claim settlement offered by the insurance company."

Commissioner Pomeroy warned that the public adjusters coming into the state may not have any ties to North Dakota. Consumers need to be very cautious in using these public adjusters because there may be no way to independently check their qualifications or honesty. "North Dakota does not have any law which requires that insurance adjusters, whether public or private, be licensed by the Insurance Department," said Pomeroy. "If you do decide to hire a public adjuster, be sure to understand the fee arrangement, which will normally be 10 % of your total claim payment." Also, consumers need to know that signing a contract with a public adjuster may result in a substantial delay in the process of resolving a claim.

For more information about public adjusters or any insurance matter, please contact the North Dakota Insurance Department at 1-800-247-0560.

News Release



*Insuring Over 40 Million
People Worldwide*

*For More Information Call:
Kathelen V. Spencer
Senior Vice President
Director of Corporate Communications
(706) 596-3789, FAX: (706) 323-1448*

FOR IMMEDIATE RELEASE

AFLAC WAIVES ONE MONTH'S PREMIUMS FOR NORTH DAKOTA FLOOD VICTIMS

Funds to go to the North Dakota Community Foundation Flood Relief Fund

Fargo, ND -- April 24, 1997 -- AFLAC Incorporated today announced that the company would waive one month's premium for its supplemental health insurance policyholders in payroll accounts in flood-ravaged North Dakota. Working in partnership with North Dakota Insurance Commissioner Glenn Pomeroy and the North Dakota Community Foundation Flood Relief Fund, AFLAC will make a donation to the Flood Relief Fund to cover the premium expenses of the affected policyholders. To assist ongoing relief efforts, AFLAC will donate an additional \$5,000 to the Flood Relief Fund.

AFLAC's decision to waive one month's premium will cost the company approximately \$137,733. It will affect 7,045 policies in 243 payroll accounts throughout North Dakota's Red River Valley, including the city employees of Fargo and Grand Forks. Policyholders outside of payroll accounts will be granted an extended grace period for payment of their premiums.

Speaking about the action, AFLAC Incorporated CEO Daniel P. Amos stated, "The recent flooding has devastated citizens in this region and the task of rebuilding will be a tremendous undertaking. AFLAC hopes its decision to forgive these premiums will help ease this seemingly overwhelming burden."

AFLAC policyholders in payroll groups affected by the premium waiver will receive further information from their payroll administrator. Affected policyholders may also contact the company at 800/99-AFLAC for further information.

AFLAC Incorporated (NYSE - AFL) is an international holding company. Through its principal subsidiary, American Family Life Assurance Company (AFLAC), the company insures over 40 million people worldwide. AFLAC is the leading provider of supplemental insurance at the work site in the United States and the largest foreign insurer in Japan.

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DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

NEWS RELEASE

For Immediate Release
Friday, April 25, 1997

Contact: Becky Braaten
(701) 328-4460

**NORTH DAKOTA INSURANCE DEPARTMENT OPENS THIS
WEEKEND TO AID RED RIVER VALLEY FLOOD VICTIMS**

North Dakota Insurance Commissioner Glenn Pomeroy announced the North Dakota Insurance Department will be open this weekend to assist Red River Valley Flood victims. Pomeroy said the decision is an effort to help as many people as possible with their flood related questions as quickly as possible. The North Dakota Insurance Department will be open from 8 AM to 4 PM Saturday, April 26, and Sunday, April 27.

“My staff came up with the idea so we can help give people answer to their flood related questions,” Pomeroy said. “I think it is a great idea and one more example of how all of North Dakota is pulling together to help out people who have been hurt in this disaster.”

Pomeroy added, “We’ve already taken a number of steps to deal with the huge influx of calls we are receiving including putting in additional lines to the hotline and adding the ability to take messages in the evening.

You can call the North Dakota Insurance Department Consumer Hotline toll-free at 1-800-247-0560 or locally at 328-2440.

“By staying open for business throughout this weekend, we are going to be there for flood victims if they want to get a hold of us.”



Glenn Pomeroy
Commissioner of Insurance

DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

PSA: Public Adjusters

**30 Seconds
Radio**

Monday, April 28, 1997

This Insurance Commissioner Glenn Pomeroy.

If you have insurance through the National Flood Insurance Program, or plan to submit a claim for sewer backup damage to your home, be careful before signing a contract with someone claiming to be a public adjuster.

“Public adjusters” say they will help you figure out the amount of your flood loss.

The problem is . . . the fee they demand for this service is commonly 10% or more of the insurance payment that is rightfully yours.

To see if a public adjuster is licensed in our state, call us toll free at 1-800-247-0560.



Federal/State Joint Information Center



For Immediate Release
May 2, 1997

FEMA-1174-DR-ND
 PR#25

Brett Hansard	Federal Emergency Management Agency	701-250-7203
Patrick Richards	National Guard/Division of Emergency Management	701-224-5106
Karen Christian	National Flood Insurance Program	1-800-598-2127
Earl Beal/Norman Ashford	National Flood Insurance Program	701-237-2234

NATIONAL FLOOD INSURANCE PROGRAM OPENS FIELD OFFICE IN FARGO

BISMARCK — The National Flood Insurance Program (NFIP) has opened a Flood Response Office in Fargo to help insured flood victims from North Dakota, South Dakota and Minnesota with insurance claims and questions. Policyholders can either visit or call the NFIP and the North Dakota Insurance Department staffs located in the office:

- **NFIP Flood Response Office**
1112 Nodak Drive, Suite 130
Fargo, N.D. 58103

Hours of operation: 8 a.m. to 5 p.m., Monday through Friday.
8 a.m. to noon, Saturday.

Who to call with questions on your flood policy?

1. **1-800-598-2127:** If your policy is written *directly* through the National Flood Insurance Program.
2. **701-237-2234:** If your policy is written through a *private insurance company* or you need more flood insurance information.
3. **1-800-247-0560:** If you wish to contact the North Dakota Insurance Department directly.

NFIP and North Dakota Insurance officials say policyholders in the three-state area who have sustained losses in the recent flooding can begin the claims process by visiting the Fargo office.

Also, policyholders who are eligible to receive immediate partial claims payment of up to \$2,000 to help with their initial recovery costs are encouraged to visit the office.

Flood Response Office personnel say persons who have their policies through an agent should first contact that agent. "However, if they can't get an answer to a question from the agent, they should feel free to call us or come in," said Norman Ashford of the NFIP.

The North Dakota Insurance Department will also be available at the flood office to answer questions about automobile coverage, sewer backup, sump pump and any other insurance related questions. □

Note to Editor: Information on the current flood disaster is available on FEMA's homepage on the Internet at <http://www.fema.gov>. Information also is available through FEMA's 24-hour fax-on-demand service by calling (202) 646-FEMA.

Radio News Directors: For recorded actualities on response and recovery operations call the FEMA Radio Network at 1-800-323-5248.



Glen Pomeroy
Commissioner of Insurance

DEPARTMENT OF INSURANCE STATE OF NORTH DAKOTA

FLOOD OF 1997 INSURANCE QUESTIONS AND ANSWERS

The devastating Red River Valley flood of 1997 has left thousands of North Dakotans with severe damage to their cars, homes and personal belongings. The North Dakota Insurance Department has been actively trying to help flood victims answer their insurance related questions. Though insurance provisions differ from company to company, the following answers generally address the questions we have been receiving. We also encourage you to check with your company or agent about the existence of coverage in any particular instance, even if it appears there may be no coverage based on the following examples. Also, please remember you can call the Insurance Department toll-free with your specific questions at 1-800-247-0560.

QUESTION: My home was damaged by the flood. Will my homeowner's policy pay for the damages?

ANSWER: No. Most people who live in flood-prone areas know from experience that homeowners policies do not cover loss due to flood. The floods in 1997, however, have been so extensive that people far beyond the usual flood plains have experienced flooding. Water damage due to flood is specifically excluded from coverage under the homeowner's policy. In insurance terms, flood is an "excluded peril" from the homeowner's policy. Therefore, flood insurance, which is a separate coverage, must be purchased through the federal government.

QUESTION: Can you explain the federal flood insurance program?

ANSWER: The federal government established the National Flood Insurance Program (NFIP) in 1968 to make flood insurance available to property owners in the flood plain areas. The program is administered by the Federal Insurance Administration (FIA) which is a part of the Federal Emergency Management Agency (FEMA). To be eligible the property must be within a local jurisdiction (i.e., city, township, county) that has agreed to participate in the NFIP program by enforcing flood plain management standards. You do not need to be in a flood plain to be eligible to purchase flood insurance, you need only reside in a participating jurisdiction. Rates for insurance coverage vary based upon where the property is located relative to the 100-year flood plain. The NFIP writes this insurance directly

through agents in the state and also contracts with insurance companies to write the National Flood insurance policy on their paper. The latter is known as the Write Your Own program (WYO). The WYO policies are identical to the NFIP direct-written policies and are subsidized by NFIP.

QUESTION: How many people in North Dakota have federal flood insurance through NFIP?

ANSWER: As of February 28, 1997, there were 3,974 National Flood policies in the State of North Dakota. Of this number, approximately 1,050 were in Grand Forks County.

QUESTION: How do I file a claim if I have purchased federal flood insurance?

ANSWER: Consumers who have purchased a flood insurance policy should first contact their insurance agent for help in filling out claim forms or contact the National Flood Insurance Program at 1-800-638-6620, extension 407.

QUESTION: I don't have federal flood insurance, but I added a sewer backup endorsement to my homeowners policy. I had sewage backup into my basement. Am I covered?

ANSWER: **Homeowners Policy** - The standard homeowners policy does not cover water damage due to the backup of sewer or sump pump. Many companies will sell additional coverage for this by a separate "endorsement," or addition to the basic policy. The coverage amount generally varies from \$500 to \$10,000 or more. Not all endorsements are alike and the conditions and limitations vary.

Commercial Property Policy - The standard commercial property policy does not cover water damage due to the backup of sewer or sump pump. Coverage can be added, like a homeowner policy, by endorsement.

National Flood Policy - The National Flood Insurance policy provides coverage for sewer backup even if the flood water has not touched the house if there is a general condition of flooding in the area, the flood was the proximate cause of the sewer backup, it occurs within 72 hours after the flood recedes, and the property is insured to 80 percent of its value. The policy is silent about sump pump coverage.

QUESTION: What coverage do I have if the flood water damages my home or building and its contents?

ANSWER: Homeowner Policy - The standard homeowners policy does not cover water damage due to flood.

Mobile Home Policy - The basic mobile home policy does not cover water damage due to flood. Most comprehensive mobile home policies do, however, provide flood coverage.

Commercial Property Policy - The standard commercial property policy does not cover water damage due to flood. However, some carriers have added limited coverage to their deluxe policies or added it to their other policies by "endorsement."

National Flood Policy - The National Flood Insurance policy both cover loss due to water damage resulting directly from flood.

QUESTION: What kind of coverage is available for water damage to my home or building and its contents as a direct result of seepage in the basement?

ANSWER: Homeowner Policy - The standard homeowners policy does not cover water damage due to the seepage of water through the walls or floor of a basement. There is no endorsement available for this exposure.

Commercial Property Policy - The standard commercial property policy does not cover water damage due to seepage. A few companies provide coverage by endorsement.

National Flood Policy - The National Flood Insurance policy provides coverage for seepage even if the flood water has not touched the house if there is a general condition of flooding in the area, the flood was the proximate cause of the seepage, it occurs within 72 hours after the flood recedes, and the property is insured to 80 percent of its value.

QUESTION: I had to close my business because of the flood. Will insurance cover my lost income?

ANSWER: Commercial Property Policy - The standard commercial property policy may provide business income protection within the policy or by endorsement. The coverage only applies to a covered cause of loss. Therefore, if the policy provides flood coverage, the coverage also applies to business income.

National Flood Policy - The National Flood Insurance policy does not provide coverage for loss of use, loss of access, business interruption, additional expense or loss of profits.

QUESTION: I purchased "special coverage" for some of my personal property which was added to my homeowners policy (or tenants policy). Are these items covered for flood?

ANSWER: Homeowner/Tenants Policy- The following types of personal property can be scheduled to be covered in a specific endorsement to the standard homeowner/tenants policy: jewelry, furs, computer, cameras, musical instruments, silverware, golf equipment, fine arts, postage stamps, rare and current coins. This endorsement does not exclude flood; therefore, those items would have coverage for flood damage.

QUESTION: Does my renters policy cover water damage caused by flood?

ANSWER: No. The renters or tenants policy does not cover loss due to flood. Renters may purchase coverage through the National Flood Insurance Program or Write Your Own program.

QUESTION: I recently sustained fire damage on property that was flooded. Is there any coverage?

ANSWER: Homeowner Policy - The standard homeowner policy excludes flood as a covered cause of loss; however, it specifically gives back coverage for *fire*, *explosion*, and *theft* in the event of flood.
Commercial Property Policy - The standard commercial property policy excludes flood as a covered cause of loss; however, it specifically gives back *fire* and *explosion* and in some cases *theft* or *sprinkler leakage* in the event of flood.
National Flood Policy - The National Flood Insurance policy does not provide coverage for fire or other named perils.

QUESTION: My vehicle was covered by the flood water. Will the damage be covered by my auto policy?

ANSWER: The "comprehensive" section of the automobile policy provides coverage for damages due to flood.

QUESTION: I had to leave my home because of a mandatory flood evacuation. Are my additional living expenses covered?

ANSWER: Homeowner Policy - The standard homeowner policy provides loss of use and additional living expenses, but only for any covered peril. Flood is not a covered peril; therefore, there is no coverage under the policy.

National Flood Policy - The National Flood Insurance policy does not provide coverage for loss of use or additional living expenses.

QUESTION: During the course of fighting the flood, someone drove their vehicle across my lawn causing damage. Is there any coverage?

ANSWER: The standard homeowner policy provides an additional coverage for damage to the lawn caused by vehicles not owned or operated by a resident of the premises. The amount of coverage is generally five percent of the dwelling limits.

QUESTION: The power was shut off in my neighborhood and all the food in my refrigerator and freezer spoiled. In there any coverage?

ANSWER: **Homeowner Policy** - The standard homeowner policy does not cover food spoilage as a result of power failure off premises. Some comprehensive policies, however, have added a limited amount of coverage, i.e., \$500, while other companies endorse the policy to cover food spoilage.

Commercial Property Policy - The standard commercial property policy does not cover food spoilage due to power failure. Most companies offer coverage through the use of an endorsement.

National Flood Policy - The National Flood Insurance policy does cover loss of refrigerated products but only if caused by flood. Power failure for other reasons would not trigger coverage under this policy.

QUESTION: When the flood waters receded, it left a large amount of debris on my property. Is there coverage for removal of this debris?

ANSWER: **Homeowner Policy** - The standard homeowner policy provides a certain amount for debris removal, but only if covered peril causes the loss. Since flood is not a covered peril, there would be no coverage.

Commercial Property - The standard commercial property policy provides coverage for debris removal if a covered peril causes the loss. If the standard a standard commercial property policy provides coverage for flood, then debris removal would be covered.

National Flood Policy - The National Flood Insurance policy does cover debris removal within the total limits of coverage. This applies whether it is debris from off your premises or debris from your property or premises.

QUESTION: Are there any other types of losses and insurance coverages I should be aware of?

ANSWER: Boats - Boats may be covered by a separate endorsement to a homeowners policy or by a separate boat owners policy.

Livestock Losses - The farmowners policy may provide coverage for livestock on a blanket or schedule basis. Also, animal mortality policies provide coverage for drowning.

Farm Equipment - Farm equipment is usually not covered, although some farmowners policies may provide some specific coverages.

QUESTION: Who can I call if I have more insurance coverage questions?

ANSWER: You should first try to contact your local insurance agent or your insurance company for specifics about your policy.

The North Dakota Insurance Department is also available to help consumers with insurance related questions. You may call the Consumer Hot-Line toll-free at **1-800-247-0560** or locally at **701-328-2440**.

The National Flood Insurance Program will respond to questions about the federal flood insurance policy and claims. They can be reached by calling **1-800-638-6620, extension 407**.

QUESTION: If I have problems with my insurance company, agent, or adjuster, where can I turn?

ANSWER: If you believe you are being treated unfairly, you may file a complaint with the North Dakota Insurance Department. You may call the Department's Consumer Hot-Line toll-free at **1-800-247-0560** or locally at **701-328-2440** for assistance.

QUESTION: Is there any other assistance available for my losses if I don't have insurance?

ANSWER: Yes. Several public and private programs have been established to aid flood victims, both individuals and businesses. The best place to start is with the **Federal Emergency Management Administration (FEMA)**. You may call FEMA at **1-800-462-9029**.



DEPARTMENT OF INSURANCE

STATE OF NORTH DAKOTA

Glen Pomeroy
Commissioner of Insurance

How to Submit an Insurance Claim

As homeowners return to their flood damaged homes and begin to sort through the destruction, many want to know what steps they should take in order to submit a claim to their insurance carrier in the event they have a policy which provides some protection. The purpose of this information is to provide a general overview regarding how to submit a claim. Each policy is unique, and you should read yours carefully to determine your rights and obligations under your policy. For specific information concerning your own policy, you should contact your agent or company directly. If you have additional questions, you may also call the North Dakota Insurance Department toll free at 1-800-247-0560.

Steps to Take After a Loss

- Notify your insurance agent or company as soon as possible. In the case of a theft loss, you should also notify the police.
- Take the necessary steps to protect the property from further loss. This includes making reasonable and necessary repairs. Keep accurate records of repair expenses including the time you and your family spend in doing repairs.
- Document your damage. Separate the damaged personal property from the undamaged property. Prepare an inventory of the damaged property. This inventory should include, if possible, the quantity, description, value (actual cash value or replacement cost as appropriate), name of mortgage company or lienholder, and bills or receipts if available. (Although it is not a requirement of the contract, we recommend consumers photograph or video tape the damage if at all possible. This can be helpful in the event of a dispute.)
- Work with the insurance company adjuster or representative in the investigation of your claim.
- Allow the company to see the damaged property and submit to examination under oath if necessary.
- Provide access to your records.
- Submit a statement of loss (proof of loss) within 60 days from the company's request (or, in the case of the National Flood Insurance policy, 60 days from date of loss). Generally, a proof of loss form will be provided to you to complete.

Insurance Companies' Responsibility Following Receipt Of A Notice Of Loss

The company must:

- Respond promptly to the notice of loss. The company generally assigns an adjuster within 24 to 72 hours from the receipt of the notice of loss. Company claims adjusters will call you to arrange a time to inspect the damage.
- Work with the consumer in the investigation of the claim.
- Make a good faith effort to promptly, fairly, and equitably settle the claim.
- Issue the claim payment jointly to the insured (in the case of a commercial policy the first named insured) and the mortgage company or lienholder if one is listed in the contract.

Special Issues

- **Workmanship of a repair contractor** - After reaching settlement and receiving the payment from your insurance company it is up to you (and your mortgage company or lienholder) to contract for repairs. Generally the insurance company at this point does not have an obligation to guarantee the quality of repairs. That is a matter between you and the contractor. The possible exception to this is when the company (i.e., adjuster or representative) has actually arranged for a contractor on your behalf. In that case, the company may become responsible for the quality of workmanship.
- **Fraud and misrepresentation** - Many insurance contracts have language which allows the insurance company to void either a specific coverage or all coverages if the consumer makes fraudulent statements or misrepresentations at the inception of the contract or in the process of making a claim. This is consistent with state law.
- **Disagreements regarding coverage or value** - If a disagreement arises between the policyholder and the insurance company regarding coverage or amount of damage, we recommend that the policyholder make every effort to work with the company to resolve the concerns and to reach an agreeable settlement. This may require your contacting the supervising claims manager. If your efforts do not resolve the matter, you may file a complaint with the North Dakota Insurance Department or you may consult an attorney and take appropriate legal action as necessary. The Department will investigate any complaint and will assist you in every way possible as permitted by law.
- **Public adjusters** - Public adjusters contract with consumers to perform a damage assessment of the loss and represent the consumer in their claim with the insurance company. Public adjusters commonly represent to consumers that the consumer will obtain a greater recovery from their insurance company if the public adjuster is engaged to assist them. They generally charge a fee of 10% to 20% of the total amount of the settlement. The North Dakota Insurance Department is requiring that all public adjusters obtain a license as an insurance consultant. Consumers are cautioned to weigh carefully the need to contract with a public adjuster. Aside from the cost of such services, and the fact that an enhanced settlement cannot be guaranteed by public adjusters, such arrangements may well delay the time it takes to get your claim settled.



DEPARTMENT OF INSURANCE

STATE OF NORTH DAKOTA

Glenn Pomeroy
Commissioner of Insurance

NEWS RELEASE

For Immediate Release: May 12, 1997

NORTH DAKOTA INSURANCE DEPARTMENT OPENS FLOOD REPOSE OFFICE IN GRAND FORKS TO AID RED RIVER VALLEY FLOOD VICTIMS

North Dakota Insurance Commissioner Glenn Pomeroy announced the North Dakota Insurance Department will be opening a Flood Response Office in Grand Forks **beginning tomorrow, Tuesday, May 13, 1997.**

The office will be located in the North Dakota Special Olympics building, near the Columbia Mall, at 2616 South 26th Street.

The office hours will initially be from 10:00 a.m. through 3:00 p.m., Monday through Friday. Pomeroy encouraged Grand Forks residents with flood related insurance questions to call **795-3865** to make an appointment.

"To help respond to the countless insurance questions Grand Forks residents have in the wake of the flood, I have hired a Grand Forks resident - a flood victim herself - to help us operate an office in Grand Forks for the next month or two," Pomeroy said.

Ruth Thompson, Grand Forks, will be available at the temporary office, along with staff from the North Dakota Insurance Department, to help flood victims sort through any insurance related questions they might have.

"I'm really excited that Ruth has signed on with us for the next several weeks," Pomeroy said. "I spoke with Ruth the week following the flood when she and her family were living in a motel in Fargo. I knew immediately that she would be a tremendous asset if we opened an Grand Forks office. She has a great understanding of the insurance issues, and obviously also completely understands the hardships people have been facing. We'll keep this office open as long as it takes to help the people of Grand Forks find answers to the many insurance questions resulting from this disaster," Pomeroy said.