

1999 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2263

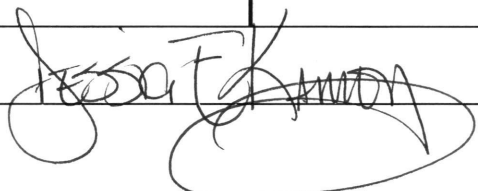
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2263

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date January 25,1999

Tape Number	Side A	Side B	Meter #
3	x		0-2700
Committee Clerk Signature 			

Minutes:

Senator Mutch opened the hearing on SB2263. All senators were present.

Tom Smith introduced the bill. He proposed some amendments to SB2263.

Jeff Cahill, managing secretary of the North Dakota Insurance Reserve Fund testified in support to SB2263. His testimony is included.

Senator Mathern asked if there was a fund for this or if they assessed each time. Jeff Cahill told Senator Mathern that they do carry a balance of \$3 million. Senator Mathern then asked for his definition of wealthy in SB2263. Jeff Cahill said that they would pay the claims that were most needed.

Senator Sand asked if he would be automatically rejected if he lived out of state. Jeff Cahill said that the claims will be made in the state of residence unless the claim is for business property in the second state.

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number Sb2263

Hearing Date January 25, 1999

Senator Krebsbach asked if it would be fair to say that the insurance guarantee association is the FBI to the insurance industry. Mr. Cahill said that it would be a fair comparison. Senator Krebsbach then asked how employers from out of state would be affected by this bill. He told her that they would file in there the state that they are working in. Senator Krebsbach then asked if the legality has been checked.

Trent Heinemyer, Deputy Insurance Commissioner, testified in support of SB2263.

Senator Mutch closed the hearing on SB2263.

Senator Sand moved to adopt the amendment to SB2263. Senator Mathern seconded his motion.

The motion was successful with a unanimous vote.

Senator Mathern moved for a do pass as amended. Senator Sand seconded her motion.

The motion was successful with a unanimous vote.

Senator Klein will carry the bill.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2263 Amendment to: _____

Requested by Legislative Council Date of Request: 1-18-99

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

Narrative:

The Department anticipates no fiscal impact.

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	0	0	0

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

- a. For rest of 1997-99 biennium: None
- b. For the 1999-2001 biennium: None
- c. For the 2001-03 biennium: None

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

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

If additional space is needed, attach a supplemental sheet.

Signed Trent C. Heinemeyer

Typed Name Trent C. Heinemeyer

Department Insurance Department

Phone Number 328-2440

Date Prepared: January 20, 1999

PROPOSED AMENDMENTS TO SENATE BILL NO. 2263

Page 5, after line 2, insert:

“d. Workers’ compensation insurance, including any contract indemnifying an employer who pays compensation directly to employees.”

Page 6, remove lines 26 and 27

Page 7, line 9, remove “The association shall pay only that amount of each unearned”

Page 7, remove line 10

Page 7, line 16, remove “except in the case”

Page 7, line 17, remove “of a claim for benefits under workers’ compensation coverage.”

Page 13, line 16, replace “.” with “.”

Page 13, after line 16, insert:

“c. Any insured who is not a resident of this state at the time of the insured event, except for first party covered claims for property damage to an insured’s property that is permanently located in this state.”

Page 13, line 27, remove “The expenses of the association or similar organization in”

Page 13, remove line 28

Page 14, line 14, after “property” insert “.” and remove “and if the claim is a workers”

Page 14, remove line 15

Page 14, line 16, remove “the residence of the claimant.”

Re-number accordingly

Date: 1/25/99
Roll Call Vote #: 2263

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

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken ADOPT AMENDMENTS

Motion Made By SAND Seconded By MATHERN

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

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

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

5116193

Date: 1/25/99
Roll Call Vote #: 2263

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

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS AS AMENDMENT

Motion Made By MATHELN Seconded By SAND

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

Total (Yes) 7 No 0

Absent 0

Floor Assignment ~~MATHELN~~ KLEIN

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

REPORT OF STANDING COMMITTEE

SB 2263: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2263 was placed on the Sixth order on the calendar.

Page 5, after line 2, insert:

"d. Workers' compensation insurance, including any contract indemnifying an employer who pays compensation directly to employees;"

Page 5, line 3, replace "d" with "e"

Page 5, line 8, replace "e" with "f"

Page 6, remove lines 26 and 27

Page 6, line 28, replace "(2)" with "(1)"

Page 6, line 30, replace "(3)" with "(2)"

Page 7, line 9, remove "The association shall pay only that amount of each unearned"

Page 7, remove line 10

Page 7, line 16, remove "except in the case"

Page 7, line 17, remove "of a claim for benefits under workers' compensation coverage,"

Page 13, line 13, remove "and"

Page 13, line 16, after "chapter" insert "; and

c. Any insured who is not a resident of this state at the time of the insured event, except for first-party covered claims for property damage to an insured's property that is permanently located in this state"

Page 13, line 27, remove "The expenses of the association or similar organization in"

Page 13, remove line 28

Page 14, line 14, remove ", and if the claim is a workers'"

Page 14, remove line 15

Page 14, line 16, remove "the residence of the claimant"

Renumber accordingly

1999 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2263

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2263

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 2-9-99

Tape Number	Side A	Side B	Meter #
1	x		1816 - 3971
2	x		746 - 1093
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes: **SB 2263** Relating to an insurance guaranty association for property and casualty insurance.

Sen. Klein testified in favor of SB 2263. He informed the committee the bill deals with Insurance Guarantee Association. Many provisions of the law are not current, want to update the law.

Tom Smith for NDGA and Domestic Insurance Companies testified in favor of bill. Has not been an update of the law since 1972. The bill repeals the old law and renews a new law.

Jeff Cahill managing secretary of NDGA testified in favor of bill. Primary purpose of legislation is to make sure we are uniform with other state laws so we can work together for an insolvent insurance carrier. Briefly went through old law and new proposed law. (See written testimony)

Rep. Koppang asked if there are many insolvency cases in North Dakota?

Tom Smith replied that most of the insolvency's occur out of state but they have insurance in North Dakota. It is based upon your residency.

Page 2
House Industry, Business and Labor Committee
Bill/Resolution Number Sb 2263
Hearing Date 2-9-99

Trent Heinemeyer Deputy of Insurance Commissioner testified in favor of SB 2263.

Chairman Berg closed the hearing.

Action on SB 2263

Tape 2, side A. Meter No. 746.

Rep. Froseth made a motion for a Do Pass.

Vice Chairman Kempenich second the motion.

The roll call vote was 15 yea, 0 nay. The motion carries.

Rep. Froseth will carry the bill.

Date: 2-9-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2263

House Industry, Business and Labor Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do pass

Motion Made By Froseth Seconded By Kempenich

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

Total (Yes) 15 No 0

Absent _____

Floor Assignment Froseth

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

REPORT OF STANDING COMMITTEE (410)
February 24, 1999 2:36 p.m.

Module No: HR-33-3481
Carrier: Froseth
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2263: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2263 was placed on the Fourteenth order on the calendar.

1999 TESTIMONY

SB 2263

Jeff Cahill, Managing Secretary
North Dakota Insurance Guaranty Association

**PREPARED TESTIMONY FOR SENATE BILL 2263
SENATE INDUSTRY, BUSINESS & LABOR COMMITTEE
January 25, 1999**

Each state has created its own guaranty association law. The purpose of guaranty associations is to provide a mechanism for the prompt payment of covered claims of an insolvent property and casualty insurer. All states work together to make sure that the system works. As part of that co-operation, considerable efforts are made between the states to ensure as much uniformity as possible between the individual state laws.

The original guaranty association law of North Dakota was adopted in 1971 and there have been no substantial changes since. Many provisions in our current law are outdated and have not stayed current with the laws of other states. The proposed legislation would ensure North Dakota laws are substantially uniform with the other state guaranty association laws.

Insurance companies writing property and casualty lines of business covered by the guaranty association are required to be members of the guaranty association as a condition of their authority to transact business in North Dakota. When there is an insolvency of a member insurer, the guaranty associations will assess solvent members so the claims of the insolvent insurer can be paid. The assessment is based

upon each individual insurers proportionate share of written premiums. No insurer can be assessed more than 2% per year of its annual written premium.

North Dakota has approximately \$715,000,000 in written premium annually. Therefore, if all capacity was used, the maximum dollar assessment annually is limited to \$14,300,000 ($\$715,000,000 \times 2\%$). It is important to understand that no tax dollars are used to fund guaranty associations.

The proposed law also makes changes to limit wealthy insureds from using up capacity so that the association has the ability to pay claims of the average, ordinary insured.

Comparisons between proposed and current law are:

- No deductibles. Current law has a \$100 deductible for all claims.
- \$300,000 limit for loss claims. No change.
- \$10,000 limit for unearned premium claims. Current law has no limit.
- First party claims by insureds whose net worth exceeds \$10,000,000 will not be considered covered claims.
- The right to recover from insureds for third party covered claims paid by the association, if the insureds net worth exceeds \$25,000,000.
- \$10,000,000 aggregate claim against all guaranty associations.

- **Specific exclusion for workers compensation claims because North Dakota has a monopolistic state operated workers compensation program. Current law is silent as to workers compensation claims.**
- **18 month independent guaranty association bar date. Current law relies upon the bar date set by the liquidator for filing claims, which is usually 12 or 18 months.**
- **Current law has a 60-day stay for legal proceedings. Proposed law stays legal proceedings until the last day fixed by the court for filing claims.**

The new law is intended to ensure the ability to promptly pay the claims of insureds and claimants, to make sure the limited guaranty association capacity is not used primarily for the benefit of wealthy insureds, and to make our law substantially uniform with the acts of other states.

We ask the committee to favorably consider SB 2263.