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2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1176

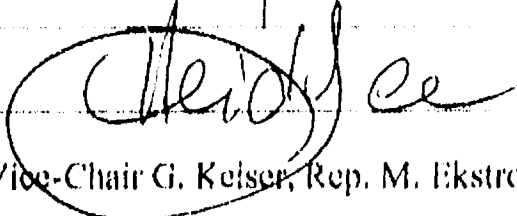
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1176

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Jan 16, 2001

Tape Number	Side A	Side B	Meter #
1		X	14.60-37.81
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Chairman Berg: Let's open the hearing on HB 1176

Carol Kessel: *Chief Examiner ND Insurance Dept. Written testimony sponsoring bill. Sec 1*

Chairman Berg: Are these percentages by the insurance manual?

Kessel: They are not by the manual, they come out of the model log.

Chairman Berg: Are you saying these are liquid assets they can invest in?

Kessel: This refers to investments and common stock and the maximum amount that a nonlife company is able to invest in is a 25% cap of admitted assets or 100% of their surplus.

Keiser: What is nonlife?

Kessel: Nonlife companies are property and casualty type companies. **written testimony Sec 2**

Rep Ekstrom: Why reduce to 3%?

Kessel: This standard follows the Common Procedures manual.

Rep. Keiser: Would you apply the same rules to foreign and local investments?

Kessel: Yes

Rep. Kasper: Does this represent the newer fact of international insurance?

Kessel: Yes written testimony Sec 3-6

Rep. Johnson: What is an evergreen letter?

Kessel: It requires the issuing bank to provide a notice to insured if the letter of credit were not maintained.

Pat Ward: *NAII, HAA, ACLI, ND Domestic Cos.* We do support the bill, Clarion would like to see some of the percentages more liberal, but will agree to the bill as it is.

Rep. Kasper: What is this bill was not passed as far as the ability of insurance companies doing business here in ND?

Ward: It would restrict it, it would not recognize some of the modern realities of growing.

Rep. Kasper: How do you compare to other states on this bill?

Ward: This is taking place across the country.

Greg Morris: *Pioneer Mutual Life* We support this bill with all its elements.

Chairman Berg: Why will this benefit domestic companies?

Morris: It will prevent us from falling behind other companies.

Chairman Berg: We will close the hearing on HB 1176.

Rep. Keiser: I move a do pass.

Rep. Koppang: I second.

14 yea, 0 nay, 1 absent with Carrier Rep Kasper

Date: 1-16-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ~~Click here to type Bill/Resolution No.~~ 1176

House Industry, Business and Labor Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Keiser Seconded By Koppang

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich			Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 14 No 0

Absent 1

Floor Assignment Kasper

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

REPORT OF STANDING COMMITTEE (410)
January 16, 2001 11:22 a.m.

Module No: HR-06-1046
Carrier: Kasper
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

**HB 1176: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends
DO PASS (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1176 was placed
on the Eleventh order on the calendar.**

2001 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1176

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1176

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date February 20, 2001.

Tape Number	Side A	Side B	Meter #
1	x		37.5 to end
1		x	0 to 5.8
(Feb. 21/01) 2	x		19.8 to 23.2
Committee Clerk Signature <i>Doris C. Perez</i>			

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on HB 1176 relating to authorized investment of funds of insurance companies and reinsurance credit for a domestic insurer.

Carole Kessel, Chief Examiner, ND Insurance Dept. Intent : to bring certain accounting related provisions into conformity with statutory guidelines. Explained proposed changes related to codification of statements of statutory accounting principles, written testimony attached.

Senator Espegard : All of these changes are consistent with the manual?

C Kessel : All except four requested by the industry: 1) loan to value change for mortgage loans; 2) five year depreciation period on data processing equipment (at the request of the health industry because the manual says three years but federal statutes say five years); 3) expansion of authority to invest in foreign investments; 4) to require authorization by board of directors for officer and director's salaries exceeding \$100,000.

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Senate Industry, Business and Labor Committee

Bill/Resolution Number HB 1176

Hearing Date February 20, 2001.

Senator Espgaard: These changes, especially those proposed by the industry, are they because insurance companies are out of compliance or because they want a more liberal policy?

C Kessel: They are not out of compliance. Insurance companies are now authorized foreign investments under rather limited statute and this puts them in a competitive disadvantage with insurance companies from other states.

Senator Krebsbach: Suggest reference to Myron G. Nelson Fund be deleted since fund is no longer in place. Check with Legislative Council.

Jim Poolman, Insurance Commissioner. Wants to make clear that the change made regarding foreign investments is to maintain competitiveness, especially of life companies. We are concerned both about solvency and competitiveness.

Pat Ward, ND Domestic Insurance Cos., in favor of the bill. Stated that the accounting practices spelled here are very conservative and basically consistent with national model in place in many other states. Distributed and read letter from **Greg Morris** from Pioneer Mutual in support of this bill.

No opposing testimony.

Senator Klein: Intern may work on amendment regarding Nelson Fund.

Hearing closed.

Feb. 21/01 Tape 2-A-19.7 to 22.8

Committee reconvened. All members present. Discussion held. Intern said he was informed by the Legislative Council that the reference to the Nelson fund can be amended only at the request of the Bank of ND.

Senator Klein: Motion: do pass. **Senator Espgaard:** Second.

Roll call vote: 7 yes; 0 no. Floor assignment: **Senator Klein**

Date: Feb 21/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1176

Senate Industry, Business and Labor Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Sen Klein Seconded By Sen Epegard

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Epegard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen Klein

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

REPORT OF STANDING COMMITTEE (410)
February 21, 2001 1:40 p.m.

Module No: SR-32-4222
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1176: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1176 was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

HB 1176

HOUSE BILL NO. 1176

Presented by: Carole Kessel
Chief Examiner, North Dakota Insurance Department

Before: Industry, Business and Labor Committee
Representative Rick Berg, Chairman

Date: January 16, 2001

TESTIMONY

Mr. Chairman and members of the committee:

House Bill No. 1176 revises certain accounting-related provisions in our insurance statutes to provide for greater consistency with the statutory accounting guidance. Insurance companies are required to provide financial information so that the financial condition of the companies can be analyzed. Senate Bill No. 2156, the 1999 Legislative Assembly specifically authorized the Insurance Commissioner to adopt the National Association of Insurance Commissioner's (NAIC) *Accounting Practices and Procedures Manual - Effective January 1, 2001* (the "Manual"). This new accounting guidance is the result of a 4-year project, which revamped the prior manuals. All states have adopted the new version of the Manual.

The Manual must be followed by insurance companies to the extent that the statutes and regulations of the state of domicile are silent or do not conflict with the Manual. In the event of a conflict, companies must comply with the accounting practices and procedures prescribed by the state of domicile, but the difference in accounting treatment must be disclosed in the financial statements. This bill reconciles the differences between our laws and the Manual.

Also, Insurers' suggestions for several additional revisions to the investment and general insurance provisions have been incorporated into House Bill No. 1176.

A detailed explanation of each statutory change contained in House Bill No. 1176 is attached to this testimony and a brief summary of each section of the bill is noted below.

Sections 1 and 2 expand the scope of authorized investments and investment practices to specifically permit ownership of assets that are treated as admitted assets in the Manual, for example, interests in limited liability companies, loan-backed securities, mutual funds, and other equity types, construction loans, and certain foreign investments. Section 2 also contains amendments to our authorized investment provisions that:

- Remove earnings and dividend payment requirements in a stock acquisition;
- Add percentage limitations for investments in stocks and construction loans;
- Increase the loan to value requirement for mortgage loans from 75% to 80%;
- Modify the definition of home office property; and
- Reduce the maximum depreciation period for a data processing system from 7 years to 5 years.

Section 3 amends a provision applicable to domestic life insurers that will require authorization by the company's board of directors for officer and director salaries exceeding \$100,000 rather than the current limitation of \$50,000.

Sections 4 and 5 address changes to the insurance holding company provisions under Chapter 26.1-10. The most significant change permits a subsidiary of a domestic company to conduct any kind of business activity; whereas, current law specifies insurance-related business activities that may be conducted by a subsidiary. In addition, an existing 5% limitation on investments in subsidiaries is increased to 10% of admitted assets.

Section 6 deletes a provision that prohibits commercial insurance carriers from estimating premiums during the 180-day period after a policy's expiration date. This restriction conflicts with the Manual's accounting treatment for audit premiums and retrospective premiums.

