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DESCRIPTION

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Diana O'Connell
Operator's Signature

10/2/03
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1138

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10/2/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1138

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1-13-03

Tape Number	Side A	Side B	Meter #
1		X	3543-end
2	X		0-1496
Committee Clerk Signature <i>Beth Leier</i>			

Minutes: **CHAIR KEISER**: Opened hearing on HB 1138

JEFF BITZ (ND Insurance Dpt): (see attached testimony)

CHAIR KEISER: Would you explain 'retention' and the whole process on reinsurance?

JEFF BITZ: The retention is like a deductible.

REP. ECKSTROM: When is the next renewal?

BITZ: Due by 8-1-2003.

REP. ECKSTROM: Are we limiting competition by going through a broker?

BITZ: Think it would broaden our scope of bids by using the broker. We aren't getting the bid right now. The reinsurance market is shrinking with mergers and acquisitions. Reinsurers are reluctant to take on state specialty market.

REP. ECKSTROM: Is the emergency clause necessary?

BITZ: They would appreciate the emergency clause.

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Dorena Baller
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10/2/03
Date

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House Industry, Business and Labor Committee
Bill/Resolution Number 1138
Hearing Date 1-13-03

REP. KLEIN: Why is the State Mill and Elevator separate? Is it so unique from the other agencies?

BITZ: Mill is always re-insured privately and has just been brought to the attention that since it is a state entity, it must go through the Fire and Tornado Fund.

REP. KLEIN: Is the risk there due to the equipment?

BITZ: Yes.

REP. NOTTESTAD: Does the Mill prefer it to be included in the Fire and Tornado Fund?

BITZ: They requested inclusion to give them the option. The Mill supports the amendment.

REP. NOTTESTAD: If we name individual entities that can go on their own, will it cause others to want to do so as well?

BITZ: Not a problem.

CHAIR KEISER: Disagrees that the bill says the Mill and Elevator can go out on its own. If they want it to be optional, the language will need to be changed. Keiser reads it to say they can not go on their own. Did not understand "reasonable" or "acceptable." Are there any industry averages or ratios that would be applicable in terms of what would be reasonable? Or that the broker would recommend?

BITZ: Not sure he can answer that. (Rep. Kasper explained from a health insurance perspective.)

REP. KASPER: All bids would still have to be approved by the Industrial Commission.

CHAIR KEISER: No confidence in this fiscal note. If you take the Mill and Elevator out, there will be a negative impact on their potential to buy reinsurance. There will be an impact on the general fund, but there is nothing listed on the fiscal note.

BITZ: Currently do not receive a premium from the Mill so there should be no impact.

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Donna H. [Signature]
Operator's Signature

1/12/03
Date

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House Industry, Business and Labor Committee
Bill/Resolution Number 1138
Hearing Date 1-13-03

ROLLIN MEHLHOFF (Vaaler Insurance): Recommends going to a true reinsurance concept in the way a treat is organized with a carrier. It's complex, but it is like a "deductible." The Fund will benefit in the area of expertise.

REP. BOE: Is there a risk of "cherry picking" to where there would be some entities left uninsured?

MEHLHOFF: No more so than cherry picking in the rest of the insurance industry.

(See attached memo from Vance Taylor, General Mgr of the Mill)

CHAIR KEISER: Closed hearing on HB 1138

(End at 1496)

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Debra M. Hall
Operator's Signature

1/12/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1138

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/15/03

Tape Number	Side A	Side B	Meter #
4	x		23.0-35.0
Committee Clerk Signature <i>Janice Hamma</i>			

Minutes: Chairman Kelsner called for committee work on HB 1138.

Rep. Ekstrom stated that Legislative Council confirmed that this bill gives the State Mill and Elevator the option to go in and out as part of the fund. Secondly, *reasonable* has been changed to *sufficient*. Placing an emergency clause will allow this to go into action immediately. This is because of the State Mill and Elevator and their ability to go out and seek bids. They want us to get the Insurance Commissioner's name of this request.

Rep. Klein moves to approve the amendments, seconded by Rep. Severson. A voice vote adopted the amendments.

Rep. Ekstrom moved a do pass as amended, seconded by Rep. Klein.

For the record, Chairman Kelsner expressed his consternation that there is not a fiscal note on this bill, there has to be a fiscal impact. Something has to be gained or lost if they are pulling the State Mill and Elevator out of this. The motion carried, the vote was 13-0-1.

Rep. Klein will carry this bill on the floor.

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Deanna Haldrup
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10/2/03
Date

FISCAL NOTE
 Requested by Legislative Council
 01/03/2003

Bill/Resolution No.: HB 1138

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

HB 1138 is not expected to have a fiscal impact on the agency appropriation. The bill allows the State Mill and Elevator to procure property insurance other than from the State Fire and Tornado Fund. The Fund has always acted as a "fronting" company in which the State Mill and Elevator's risk was passed on at the first dollar. The Fund has never collected premium or assumed any risk from the elevator. The bill also allows the Fund to procure reinsurance through a broker rather than by advertising. The cost of the broker will be built into the cost of reinsurance and will not have impact on the agency appropriation.

3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:

A. Revenues: Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

N/A

B. Expenditures: Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

N/A

C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

N/A

Name:	Charles E. Johnson	Agency:	Insurance Department
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Charles E. Johnson
 Operator's Signature

1/2/03
 Date

Phone Number: 328-2440

Date Prepared: 01/07/2003

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Dorena H. Smith
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