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10/2/03
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1142

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10/2/03
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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1142

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/15/03

Tape Number	Side A	Side B	Meter #
1	x		31.4-end
1		x	0.00-26.1
4	x		37.0-49.5

Committee Clerk Signature

Heather Hammer

Minutes: **Chairman Keiser** opened the hearing on HB 1142.

Jim Poolman, ND Insurance Dept. introduced the bill and spoke to the various aspects of the property and casualty marketplace and specifically, the loss ratios, as they pertain to our state in recent years. (Loss ratios are claims paid versus premiums taken in). HB 1142 will allow the insurance department and companies to respond to the current hard market situation.

Rep. Ekstrom: Are premiums rising and what is the overall health of insurance reserves?

Poolman: We receive reports on a quarterly or annual basis and premiums rise on the basis of previous losses (running about 15-20% at present) and our domestic companies have good reinsurance agreements that have paid off claims.

Larry Maslowski, Senior Property & Casualty Analyst, ND Insurance Department, introduced the bill and walked the committee through the various sections. (See attached)

Rep. Froseth: How can Section 1 be enforced if a company is leaving the state?

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1/21/03

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Maslowski: Some companies aren't withdrawing entirely, they are just not writing homeowners insurance in ND.

Chairman Kelser: Good companies display good market conduct. They might want to reenter the market in the future and they may continue to write policies for other insurance coverage.

Maslowski: Good point.

Kent Olson, ND Professional Insurance Association, appeared in support of HB 1142. As front line property/casualty agents, they are experiencing problems with non-renewals. Section 2 & 3 affect us and we support these sections.. It's renewal policies, when a policy is in force and it's not going to be renewed, we'd like the 60 day notice. I think South Dakota has changes from 30 to 60 days. The agent needs time to find a market when a consumer comes in shopping for insurance.

Rob Hovland, President of Center Insurance Company of Rugby, appeared in opposition to HB 1142. I represent the Domestic Insurers Association here today. (Farmers Union, Dakota Fire, Heartland Mutual of Minot, Nodak Mutual, & Center Insurance Company) We do support the language which requires a company to provide the Commissioner's Office with notices of withdrawal. With respect to commercial notice, we also support the 60 day notice extension. It takes time to underwrite and evaluate risks. However, with respect to homeowners, we are in opposition to extending the notice of non renewal to 60 days because we don't think there is a need for it. Agents can tell you on the spot whether you can get insurance with them and the cost of it for 90% of cases. Those consumers in gray areas could still have another claim before their renewal comes up. We don't need to pass legislation that is more restrictive to our industry.

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Responding to Rep. Kasper's question about review of claims to determine non-renewal of policies, Hovland replied that a three year loss history is the rule of thumb.

Rep. Kasper: What else is taken into consideration? Credit score or credit reports?

Some companies use credit scoring at the outset of writing a policy, though Hovland said he doesn't.

Chairman Keiser: Do you have data on the 90/10 ratio on homeowners insurance? We're looking for an adequate solution to consumer insurance needs.

Hovland: Generally, companies say 30 but they allow a leeway to 45 days.

Rep. Nottestad: So a change to 45 days would result in a 60 day notice? And that's what the Insurance Commissioner is requesting here.

Hovland: Going to 45 days would essentially do that., companies would have to evaluate this before the renewal period.

Rep. Severson: How about last minute claims? And gaps?

Hovland: That's a great questions. We've had people in the gray areas (questionable risk) hold their claims until they get their renewal notice. People will get a new policy in place and then go file their claims, thus circumventing the claims report that would go to the new company.

Rep. Kasper: When non-renewing or adjusting rate policies, is it company to customer without an agent involved?

Hovland: We like to work through the agents, they know their customer better.

Dennis Prindival, President of Dakota Fire Insurance, appeared in opposition to HB 1142. We are a property/casual insurance company, in business since 1957, we provide service in four states. We have 96 employees in Bismarck and we write approximately 63 million dollars in

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written premiums. We write 27 million in written premiums in North Dakota. Originally I was opposed to 60 day notice for homeowners, but I understand there will be an amendment to 90 days for commercial. This bill isn't an incentive to bring new carriers to North Dakota. It is a disincentive. Our market is so fragile. It would dissuade new companies from entering the market here. It will put our company in a defensive position. We'd have to cancel an account to protect our ability to get off the account. If our underwriters don't have enough time to properly analyze an account, maybe raise deductibles or changing coverage, some risk management solutions, they will simply non renew the policy. Why not change procedures and timetables for additional time to review? A 90 days requires looking at it 120 days in advance. Our loss runs would have to be printed in advance. We'd be looking at approximately seven months of earned premium and loss information. This isn't going to favor an insured who had a few losses at the beginning of their policy period. North Dakota isn't an easy market for commercial lines, considering the fire and tornado fund, the insurance reserve fund and the monopolistic work comp fund, it doesn't leave us a lot of business to write. this bill is a short term application with long term ramifications.

Rep. Nottestad: Could you live with the 60 days for commercial lines in this proposed bill?

Hovland: Yes.

Pat Ward, Zuger Kirmis & Smith, presented written testimony in opposition to HB 1142. (See attached) He stated that time limits are onerous, companies will request extensions. "Hard markets make bad laws". He suggests a sunset provision of two years. More regulation will make this state less welcoming to out of state companies wanting to come in and do business. We need to create a friendly environment for insurers and a competitive market for consumers.

Rep. Thorpe: Are existing vehicle, home, property liability policies at 30 days?

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Ward: Yes.

Rep. Thorpe: Will it create extra costs to insurance companies to draft and print policies?

Ward: Yes, there will definitely be administrative costs to companies.

Rep. Kasper: Our insurance commissioner is a regulator and an advocate, yes? Without prior notice, the commissioner doesn't have an opportunity to contact the insurance company to try and convince them to stay and do business here. Would one more letter to the Insurance Commissioner giving a 45 day notice be too onerous to expect from a company since they are notifying their agents and their customers?

Ward: That's a point well taken. The Insurance Commissioner is doing a fantastic job trying to keep business here in ND in this market. This is another tool that is well intended but its effect could be the opposite.

Chairman Keiser closed the hearing on HB 1142.

Chairman Keiser called for committee work on HB 1142.

Rep. Nottestad distributed the proposed amendment and walked the committee through them.

Rep. Klein moved to adopt the amendments. Rep. Froseth seconded the motion. A voice vote carried the motion. Rep. Nottestad moved for a Do Pass As Amended. Rep. Severson seconded the motion. The roll call vote carried: 13-0-1. Rep. Nottestad will carry this bill on the floor.

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