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2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1265

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1265

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/27/03

Tape Number	Side A	Side B	Meter #
3		x	5.6-30.9

Committee Clerk Signature

Judith Hammer

Minutes: Chairman Kelsner opened the hearing on HB 1265.

Rep. Frank Wald, District 37, introduced HB 1265 that allows for an insurance agent or broker to collect a service fee in addition or in lieu of a commission. This would be applicable in situations when a prospective client request a quote but then does not take the policy. He read the bill to the committee. This is based on a Minnesota statute.

Rep. Thorpe: If customer contacted several agents, would he have to pay that many fees?

Rep. Wald: This legislation provides a safeguard, it would not apply to personal lines of insurance, but for those policies in difficult to place markets. The agent would be required to advise a customer upfront about the fee prior to producing a quote.

Rep. Ekstrom: How would you determine a reasonable fee? Would it be based on hourly rate, time and expense, a flat fee?

Rep. Wald: It depends on the risk an agent would be working on.

Chairman Kelsner: Insurance is a regulated industry, fees are prohibited.

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House Industry, Business and Labor Committee
Bill/Resolution Number HB 1265
Hearing Date 1/27/03

Rep. Nottestad: Could a community of agents band together and decide to charge a fee for normal lines of insurance, what would stop them from doing so?

Rep. Wald: The Federal Trade Commission could accuse them of collusion

Rep. Kasper: How would this work? Does the fee agreement need to be in writing?

Rep. Wald: Yes, it could be by fax or e-mail. There's probably a template for this type of thing since other states already allow it.

Kent Olson, Director of the ND Professional Insurance Agents Association, testified in support of HB 1265. This is a business bill, competition will dictate, especially on personal lines of insurance. This will work in the following areas: consulting, reviewing coverages, loss control and inspections, advice on commercial, claims analysis, inspections and photos, employment, human services and risk management, bum checks, lapsed notices and rewrites.

The service fee must be rendered prior to point of sale and in writing.

Rep. Ekstrom: How often does someone pay a fee and not purchase insurance in Minnesota?

Olson: I don't have statistics from Minnesota. Virginia has had this for several years and agents are beginning to use it. This is an elective option, not a requirement for agents.

Rep. Thorpe: Won't I have to buy your insurance if I've already invested in a quote by paying a fee?

Olson: Quoting is not a source of revenue.

Severson: Won't this hurt rather than help insurance agencies?

Olson: There is a trend to adopt fee based legislation in addition to commissions.

Severson: Isn't that consulting?

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House Industry, Business and Labor Committee

Bill/Resolution Number HB 1265

Hearing Date 1/27/03

Olson: A consultant's license is a different license and doesn't result in commissions. That's a different issue.

Rep. Boe: Your testimony earlier today on other legislation that led us to believe that anything that would unfairly skew favoritism from one party (the insurance industry or the client) would be unfavorable in the industry. Wouldn't this do that same thing?

Olson: Two different issues. One is payment, the other is licensing. For the controlled business statute, fee income would be excellent for the elevator to charge for their services with a licensed agent, with proper licensing. It's being done now indirectly with free mapping.

Patrick Ward, representing the National Association of Independent Insurers, appeared in support of HB 1265 and offered a proposed amendment. This is meant to be a contract between the insurance agent and the customer. It has nothing to do with the insurance company.

As there was no one present to testify in opposition to HB 1265, the hearing was closed.

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1265

House Industry, Business and Labor Committee

Conference Committee

Hearing Date January 28, 2003

Tape Number	Side A	Side B	Meter #
3	X		5468-end
3		X	310-740
Committee Clerk Signature <i>Elizabeth R. Feier</i>			

Minutes: **CHAIR KEISER:** Opened committee work on 1265.

REP. ZAISER: Bill allows insurance companies to charge fees for services.

Rep. Froseth moved to adopt amendment by Pat Ward. 2nd by Rep. Kasper.

Voice vote on amendment. Amendment is adopted.

REP. JOHNSON: Would this be opening the door for more fees? Chair Keiser said it would. If they want to proceed, he suggests they make this only on commercial policies and take out health, life, etc.

CHAIR KEISER: Wondered how an insurance agent can get a consultant license in addition to an agent. Kent Olson, Director of Professional insurance Agents of ND, discussed the statutes concerning the consultants license. You can get a consultants license as an agent producer or as a consultant surplus or limited broker. Most get a license as a licensed agent. You can not have both.

CHAIR KEISER: Closed committee work on HB 1265.

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1265

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/29/03

Tape Number	Side A	Side B	Meter #
2	x		33.0-end
Committee Clerk Signature <i>Judith Hammer</i>			

Minutes: Chairman Kelsner called for committee work on HB 1265.

Rep. Ekstrom moved a Do Not Pass. Rep. Klein seconded the motion.

Rep. Kasper: I move against the motion. Potential fees being charged for personal lines of insurance are a big concern to me. We could do a better job if we amended those items out and only allowed fees and commissions for commercial lines and group insurances. It's a full disclosure with the insurance representative and business owner or buyer, the document must be prepared and signed in advance. Willing buyer, willing seller, if the fee is disclosed not in lieu of commissions...why don't we want to do this if they both are in accord?

Rep. Ekstrom: In discussions with the Insurance Commissioner, we talked about creating a special consultant/insurance agent license so the two functions could operate simultaneously. I don't know how long that would take to figure out how to administer that. The other thing was the idea of a special class of business, not including life or car policies. That's reasonable.

La Costa Rickford
Operator's Signature

10/3/03
Date

