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10/3/03  
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1374

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1374

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/29/03

Tape Number	Side A	Side B	Meter #
1	x		22.6-38.9
Committee Clerk Signature <i>Jedie Hammer</i>			

Minutes: **Chairman Keiser** opened the hearing on HB 1374.

**Marilyn Foss**, Legal Counsel for the ND Banker's Association introduced the bill. (See Attachment #1)

**Rep. Klein:** This bill is basically allow insurance companies to get into the business of reinsurance?

**Marilyn Foss:** It will make it clear that excess deposit insurance is a qualified means of securing repayment of public deposits. It will include it in the statutes that list all other types of ways to repay or secure public deposits.

**Rep. Klein:** What other types are you referring to?

**Foss:** They are listed in the statutes, most recent are letters of credit from federal home loan banks of ND, letters of credit, treasury bonds, municipal securities.

**Rep. Kasper:** Are these only two companies that you reference in your testimony that sell this type of insurance or are there a lot more?

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House Industry, Business and Labor Committee  
Bill/Resolution Number HB 1374  
Hearing Date 1/29/03

**Foss:** There are more nationwide. KBS and BankInsure are two that have policies with banks in ND. There is a different company that does it with credit unions. The name escapes me.

**Rep. Nottestad:** Who bears the cost of this? the bank of the customer?

**Foss:** The bank pays the premium for the amount of the coverage it purchases. Rates are public deposits are negotiated.

**Rep. Nottestad:** Would the bank incur more or less cost than issuing a certificate like they do now?

**Foss:** I have to assume that banks find this a cost effective method of securing public deposits or else they wouldn't use it. It's also comfortable for customers and convenient for public entities.

**Rep. Ekstrom:** I'm concerned about adequate reserves. I assume they are dealt with by the banking Commissioner to assure that the reserves of these funds, the insurance coverage is adequate.

**Foss:** Quality of insurer issue is addressed by State Insurance Commissioner and the rating of investment grade must be maintained. The State Auditor and Banking Commissioner inspect securities too.

**Rep. Ekstrom:** Given the world situation, are municipalities in jeopardy? Is there anything in here that addresses how fit things are and the fact that we have to have much in excess of what we have on deposit?

**Foss:** The volatility has made people more comfortable with insurance rather than traded securities.

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House Industry, Business and Labor Committee  
Bill/Resolution Number HB 1374  
Hearing Date 1/29/03

**Chairman Keiser:** Letters of credit and the other instruments that are available for securities, they represent an equity approach to securities, don't they? This brings in the option from an equity position to an insurance position? You don't tie up a significant amount of funds, you tie up the premiums? And the insurance company is putting up the equity.

**Foss:** Typically, they are debt type instruments although you can pledge a mutual fund that has some equities in it. You're understanding correctly. These are also relatively short term.

**Rep. Dosch:** Are public entities required to do any type of "due diligence" on a bank before they invest public funds?

**Foss:** I think that the statutes presume that if you are an operating, insured bank that regulatory agencies are doing the diligence for you. Public entities have to make sure they don't have an over concentration of deposits in one institution.

**Rep. Klein:** What is the opinion of credit unions about this?

**Foss:** I'm assuming that they and their customers, including public entities, like it.

**Chairman Keiser:** Is insurance available for private depositors?

**Foss:** Yes, individuals can obtain excess deposit insurance.

As there was no one else to testify either in support or in opposition to HB 1374, the hearing was closed.

**Rep. Klein** moved a do pass. **Rep. Severson** seconded the motion.

**The roll call vote was unanimous: 14-0-0.**

**Rep. Johnson** will carry HB 1374 to the floor.

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Date: 1/29/03  
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1374

House Industry, Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Klein Seconded By Severson

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelser	/		Rep.Boe	/	
Rep.Severson, Vice-Chair	/		Rep.Ekstrom	/	
Rep.Dosch	/		Rep.Thorpe	/	
Rep. Froseth	/		Rep. Zaiser	/	
Rep. Johnson	/				
Rep.Kasper	/				
Rep. Klein	/				
Rep. Nottlestad	/				
Rep. Ruby	/				
Rep.Tieman	/				

Total (Yes) 14 No - 0

Absent 0

Floor Assignment Johnson -

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

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10/3/03  
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REPORT OF STANDING COMMITTEE (410)  
January 30, 2003 2:16 p.m.

Module No: HR-18-1386  
Carrier: N. Johnson  
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE  
HB 1374: Industry, Business and Labor Committee (Rep. Kelsner, Chairman)  
recommends DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
HB 1374 was placed on the Eleventh order on the calendar.

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2003 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1374

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1374

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date 03-12-03

Tape Number	Side A	Side B	Meter #
1		xxx	1020-1990
Committee Clerk Signature <i>Jessalyn Berkon</i>			

Minutes: Chairman Mutch opened the hearing on HB 1374. All Senators were present.

HB 1374 relates to security for the repayment of deposits of public funds.

**Testimony in support of HB 1374**

**Marilyn Foss**, North Dakota Bankers Assoc., introduced the bill. See written testimony. She states the bill is intended to provide financial institutions with another method of securing public deposits- excess deposit insurance. Excess deposit insurance is issued by private insurance companies to cover deposits above the federally insured \$100,000. It is purchased by the financial institution in coverage amounts of up to several million dollars. Insurer underwriting is based upon the financial condition of the financial institution.

**Senator Krebsbach:** How long has the \$100,000 been in place? And has there ever been a movement to increase that?

**Marilyn:** Since 1980 and there has been quite a movement within the banking industry to increase the insurance level.

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Senate Industry, Business and Labor Committee  
Bill/Resolution Number 1374  
Hearing Date 03-12-03

**Senator Mutch:** What are the reserves in the fund for the insurance program?

**Marilyn:** I'm not sure of a dollar amount, but they have to be at least 1.25% of the insured deposits. We haven't had an assessment in the last couple of years. They meet the statutory requirements.

**Senator Mutch:** You mentioned two insurers, are there others that are available?

**Marilyn:** There could be. I know the credit unions offer it as well.

**Senator Espegard:** Do you have any idea what the insurance costs?

**Marilyn:** I will let Jody answer that.

**Greg Tschider,** Credit Unions, spoke for the record in support of the bill.

There was no opposition. Hearing closed.

**Senator Klein moved a DO PASS. Senator Espegard seconded.**

**Roll Call Vote: 7 yes. 0 no. 0 absent.**

**Carrier: Senator Espegard**

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