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SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

4401

2005 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1401

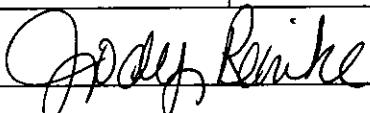
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1401

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 2-1-05

Tape Number	Side A	Side B	Meter #
2		x	24.-end
3	x		0-1.2
3		x	0-2.5
Committee Clerk Signature			

Minutes:

Chairman Keiser: Opened the hearing on HB 1401.

Representative Schmidt: Appeared in support of HB 1401 and also was a sponsor. Insurance companies are using our social security numbers to give you a credit rating.

Joel Gilbertson, Vogel Law Firm, On behalf of the American Insurance

Association: Appeared in opposition of HB 1401 and provided a written statement (SEE ATTACHED TESTIMONY).

Pat Ward, Association of North Dakota Insurers: Appeared in opposition of HB 1401 and provided a written statement (SEE ATTACHED TESTIMONY)

Al Jaeger, Secretary of State: Appeared neutral on HB 1401 and provided a written statement (SEE ATTACHED TESTIMONY).

Representative Froseth: I move a **DO NOT PASS** on HB 1401.

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House Industry, Business and Labor Committee

Bill/Resolution Number HB 1401

Hearing Date 2-1-05

Representative Vigesaa : I SECOND the DO NOT PASS motion.

Motion carried. **VOTE: 10-YES 2-NO 2-Absent (BOE & EKSTROM)**.

Representative Froseth will carry the bill on the floor.

Date: 2-1-05

Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1401

House INDUSTRY, BUSINESS AND LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Froseth Seconded By Rep. Vigesaa

Representatives	Yes	No	Representatives	Yes	No
G. Keiser-Chairman	X		Rep. B. Amerman		X
N. Johnson-Vice Chairman	X		Rep. T. Boe		A
Rep. D. Clark	X		Rep. M. Ekstrom		A
Rep. D. Dietrich	X		Rep. E. Thorpe		X
Rep. M. Dosch	X				
Rep. G. Froseth	X				
Rep. J. Kasper	X				
Rep. D. Nottestad	X				
Rep. D. Ruby	X				
Rep. D. Vigesaa	X				

Total (Yes) 10 No 2

Absent (2) Rep. Boe & Rep. Ekstrom

Floor Assignment Rep. Froseth

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

REPORT OF STANDING COMMITTEE (410)
February 2, 2005 6:49 a.m.

Module No: HR-22-1626
Carrier: Froseth
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1401: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO NOT PASS** (10 YEAS, 2 NAYS, 2 ABSENT AND NOT VOTING).
HB 1401 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

HB 1401

Testimony in Opposition to HB 1401
Joel Gilbertson, Vogel Law Firm
On Behalf of the American Insurance Association

I am Joel Gilbertson, with the Bismarck office of the Vogel Law Firm. I appear this morning on behalf of the American Insurance Association. AIA is a national trade association of over 435 property and casualty insurance companies in all 50 states. Its roots go back over 130 years to the establishment of the National Board of Fire Underwriters in 1866.

AIA supports the continued ability of property casualty insurance companies to use social security numbers in an appropriate manner to carry out business functions. Property casualty insurers have been using SSN's for many years in their business operations to verify the identity of a particular individual. For example, during the claims process, the claimant's social security number is used to verify his or her identity and to prevent insurance fraud.

Proposed restrictions on the use of social security numbers typically cite identity theft as the primary reason for the restrictions. We agree that identity theft is a serious problem and criminal laws against such actions should be vigorously enforced. We also believe, however, that the companies have the right to use this only comprehensive nationwide tool for property casualty insurers to verify the identity of an individual. Government should seek to preserve appropriate access to and uses of personal identifiers, including social security numbers, as it strives to eliminate and prevent inappropriate access and use. We believe that indiscriminate and across-the-board bans on access to and use of personal identifiers should be avoided.

Government should encourage the development and voluntary use of new security-enhancing technologies, including encryption, to protect electronically stored and transmitted personal identifiers. Government, however, should not mandate the use of any technology, either general or in specific circumstances.

In addition to many criminal laws, industry and company codes of privacy, release of this and other private personal information is strongly protected by the security requirements of the Gramm Leach Bliley Act and regulations later promulgated in various states pursuant to that federal statute. These should continue to serve as the basic framework for all government initiatives affecting insurance companies, banks and all other companies subject to Gramm Leach Bliley.

AIA respectfully submits this bill causes many more problems than it possibly would resolve and I request that this committee give it a Do Not Pass recommendation.

*Joel Gilbertson
February 1, 2005
Before the House Industry, Business & Labor Committee*

February 1, 2005
House – IBL

Testimony of Patrick Ward in Opposition to HB 1401

Chairman Keiser and Members of the House IBL Committee.

I represent the Association of North Dakota Insurers which consists of the North Dakota domestic insurance companies. I also represent State Farm Insurance Company, which is one of the largest insurance companies in the country and in North Dakota. Both of these clients sent me here in opposition to HB 1401.

HB 1401 may be well intentioned in its aim at protecting privacy, but misguided when it is applied to the insurance application process.

Insurance companies need to use social security numbers for a variety of reasons in underwriting and rating insurance.

1. Social security numbers are used for identity authentication. There are oftentimes more than one Bob Jones on a street or in a neighborhood. In addition, people frequently change their names because of marriage, divorce, or fictitious name changes can be quite common, not all reasons for purposes of fraud.

- I can provide you a few vignettes from my own life: (a) Patrick Ward in Grand Forks; (b) Patrick Ward in Canada; (c) Patrick Ward at the University of North Dakota; and (d) Patrick Ward in business.
2. Limiting use of social security numbers would hamper or hamstring effective use of underwriting tools. Various records are maintained by social security number, for example, (a) driving records in many states, (b) CLUE reports or property damage loss history reports, (c) car accidents or motor vehicle data, and (d) credit or insurance scores.
 3. It may sound like our industry mantra from last session and this session, but actions taken by the legislature that impact underwriting affect the ability of an insurance company to adequately rate policies. The result of that is that fewer consumers can get the best rate because companies must be less selective and put larger pools of people together.
 4. There are many laws on the books already that protect privacy including the GLB Act, the Fair Credit Reporting Act, provisions in the North Dakota Century Code relating to insurance including the current credit scoring statute, and provisions of the North Dakota Administrative Code.

This is another attempt to unnecessarily interfere with a valid business practice. We urge you to reject HB 1401.

ALVIN A. JAEGER
SECRETARY OF STATE

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SECRETARY OF STATE

STATE OF NORTH DAKOTA
600 EAST BOULEVARD AVENUE DEPT 108
BISMARCK ND 58505-0500

February 1, 2005

TO: Rep. Keiser, Chairman,
and Members of the House Industry, Business and Labor Committee

FR: Al Jaeger, Secretary of State

RE: HB 1401 – Social Security Number for Insurance Purposes

Although the Secretary of State's office does not have a position on the merits of this bill, we are aware of a potential conflict in existing law if the bill should pass without the "friendly" amendment being offered.

According to N.D.C.C. § 35-20-16, any person entitled to an unpaid earned property or casualty insurance premium may file a lien through the County Recorder to be on record in the Secretary of State's Central Indexing System. However, subsection 3 of this section of law currently requires the lien to include the social security or tax identification number of the debtor before the lien can be filed.

Since the intent of HB 1401 is to prohibit insurance companies from asking for the insured's social security number, subsection 3 of N.D.C.C. § 35-20-16 must be amended to remove the requirement that a social security number is required in order for a lien to be filed. Otherwise, a person justly entitled to a lien filing could not complete the filing because of the social security requirement.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1401

Page 1, line 3, after "coverage" insert "; and to amend and reenact subsection 3 of section 35-20-16 of the North Dakota Century Code, relating to furnishing a social security number on insurance premium liens"

Page 1, underscore lines 7 through 10

Page 1, after line 10 insert:

"SECTION 2. Subsection 3 of section 35-20-16 of the North Dakota Century Code is amended and reenacted as follows:

3. The social security number of the debtor, if available, or in the case of a debtor doing business other than as an individual, the internal revenue service taxpayer identification number of that person, if available."

Renumber accordingly