

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1354

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1354

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1354

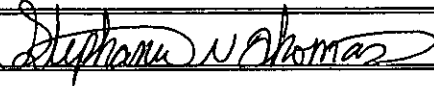
House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1610

Committee Clerk Signature



Minutes:

Chair Keiser opened the hearing on HB 1354.

Kent Olson, Professional Insurance Agents Association of ND: I represent about 1000 agents throughout the state, and we're the independent main street independent agents that sell homeowners, auto, and business loan type policies mainly. This bill has driving without insurance. The first time I came and testified was in 1975 on a driving without insurance penalty bill, and at that time we raised the fine to \$20.00. We've been dealing with the issue for at least the last 30 some years that I can remember. About 10 years ago, we increased the fines for driving without insurance to \$150.00, and mandatory that the judge cannot waive or reduce, on the first offense, and \$300.00 on the second offense within 18 months. Then about 3 or 4 sessions ago, the legislature passed the statute that we thought might help, and to this date it hasn't, but basically it was a couple of sentences that said if a person causes damage to another's auto or property with a motor vehicle while in violation of section 39-08-20, at the minimum the court shall order the person to pay. This bill does something a little bit different. It proposes to amend the existing Unsatisfied Judgment Fund. There's a little fund out there that the insurance department manages, the Department of Transportation collects the \$1.00 when needed, gives it to the state treasurer to hold until somebody makes a claim on

the Unsatisfied Judgment Fund. It's a fund set aside to pay for bodily injured claims only, resulting from a court judgment against an uninsured driver. What we're proposing is to amend this Unsatisfied Judgment Fund.

See proposed amendment.

This has a fiscal note on it, and there's \$210,000 in that fund. We went to DOT and found out there are an average of 3,170 convictions for driving without insurance every year. We estimate that half of these people are at fault, half are not at fault, they have compensation. Then it's estimated that about 160 people don't have collision that can trigger a loss, and estimated the average loss about \$4,000. If you put all that together, it ends up with the Unsatisfied Judgment Fund draw of about \$640,000. The people affected the most are those people who drive a lower value vehicle that elect not to buy collision, they just buy liability.

Bill Kary, Independent Insurance Agent in Bismarck: This has been a problem ever since I've been in business. The people that I see most affected by this are generally the younger drivers, and lower income people who are unable to afford a newer vehicle. They just buy liability coverage to protect themselves against injuring someone else. One of the other things that concerns me is the fine goes to the general fund, a driver license gets their \$50.00, but the injured party really gets nothing.

Rep. Johnson: The small claims court, would that become part of this, where you have to go through small claims court to get the judgment?

Bill: They still would have to go through the small claims procedure to collect. This would put something in there where they can actually collect from someone, and at least they'd have some money available to them.

Rep. Nottestad: This money, it pays as you come out of the Uninsured Motorist Fund?

Bill: No, this would come out of the current fund, the Unsatisfied Judgment Fund. The only thing is we'd be adding language to the current.

Rep. Nottestad: In this case, it would pay only if the individual who was hit did not have full coverage for it?

Bill: Yes, that is correct if that individual carries just liability coverage on that car, and it would also limit that to no more than \$5,000.

Rep. Nottestad: Wouldn't that, in many respects, be helping someone who wasn't helping themselves, and chose not to?

Bill: I don't think it would encourage people to trade just liability on their vehicle. My experience has been that normally it's the people who can't afford a newer vehicle, and the youth of drivers who are actually affected by this.

Rep. Nottestad: I agree with that, but on the lower valued ones, to me this is one more reason not to carry it, because we have a little bit more protection now than we would have had before.

Bill: I disagree with you on that, because it reaches a point on a vehicle. I think what we're forcing people to do is if they want that protection, then they're paying a premium which is far out of line with what they're going to get back.

Hearing closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1354

House Industry, Business and Labor

Check here for Conference Committee

Hearing Date: 30 Jan 07

Recorder Job Number: 2337

Committee Clerk Signature

Jan Prudde

Minutes:

Chairman Kaiser opened discussion of HB 1354. This relates to property damage payments from the unsatisfied judgment fund. When the uninsured hits you, if you are not carrying comprehensive, this fund will help pay for your car.

Representative Nottestad: My daughter lives in a state where they have and she was hit by an uninsured motorist about the day we heard this. She is dealing with this issue now. The cost is way greater than we want to look forward to. The one dollar we assess now is not going to cover it.

Chairman Kaiser: Representative Gruchalla, as an ex-highway patrolman, I'm curious what you think of this.

Representative Gruchalla: Studies have come out saying how many people don't have insurance. We were doing a checkpoint south of Fargo and 1/3 of them did not have insurance. I think those numbers are even low. There are bills to encourage people to carry insurance and that's where the pressure should be. I've dealt with people like you are describing. The people that hit them don't have insurance and then where do you go?

Representative Thorpe: (unintelligible)

Representative Nottestad: Do we look at the amendments from Ken Olson? Or should we pass it in its present form?

Chairman Kaiser: If we send it to the floor we want it in the best shape possible.

Representative Nottestad: I move those amendments.

Representative Amerman: I second.

Representative Thorpe: 1036 and 1037 are they related?

Chairman Kaiser: They increase the penalty for driving without insurance.

Representative Ruby: Those are in the Transportation Committee. Unless we include in here raise up the unsatisfied judgment fund, I cannot support this. That is not going to support this.

A voice vote was taken—the amendments were accepted.

Representative Nottestad: I move **Do Not Pass as Amended**.

Representative Kasper: I second.

I believe you need to reinforce the right behavior. This reinforces the wrong behavior. For the state to come in and back that up is not right. On the other hand the penalty should be a lot stiffer on the other side. I think we should take the person's car like we do with poachers. You would suddenly get a lot of people who don't have insurance worried because they are going to lose their car. I don't care if it's totaled. That's not what this bill does, but I feel better.

A roll call vote was taken: Yes: 12, No: 0, Absent: 2 (Dosch and Zaiser)

The Do Not Pass as Amended passed.

Representative Nottestad will carry the bill.

FISCAL NOTE
 Requested by Legislative Council
 02/01/2007

Amendment to: HB 1354

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$1,312,000		\$1,312,000
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

See 2B.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The amended HB 1354 limits the claims against the Unsatisfied Judgment Fund to claims for damage to motor vehicles. The original bill allowed claims against the Fund for damage to any property, including buildings, fences, poles, etc., as well as to motor vehicles.

It is not expected that the amendment will significantly impact the original fiscal note since most all claims would result from damage to motor vehicles and only a few would result from damage to other property. Thus, it is expected that the fiscal impact on the Fund will remain as an increase in expenses to the Fund of \$1,312,000.

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.*

See explanation above.

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.*

See explanation above.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

See explanation above.

Name:	Charles E. Johnson	Agency:	Insurance Department
Phone Number:	328-2440	Date Prepared:	02/01/2007

FISCAL NOTE
 Requested by Legislative Council
 01/16/2007

Bill/Resolution No.: HB 1354

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$1,312,000		\$1,312,000
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

See 2B.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

HB 1354 expands the Unsatisfied Judgment Fund to include property damage of up to \$5,000 resulting from an automobile accident. The party suffering the loss must obtain a judgment and attempt to collect from the at-fault party before submitting a claim to the Fund.

It is estimated that the law change will generate approximately 160 claims against the Fund annually, or 320 claims over the next biennium. The claims would range from \$300 to \$5,000, affecting the Fund in the range from \$48,000 to \$800,000 annually, or \$96,000 to \$1.6 million during the biennium. The Department estimates that the average claim will be 80% of \$5,000, or \$4,000, so that the estimated impact on the Fund is an increase in expenses of \$640,000 annually, or \$1.28 million for the biennium in claims expense.

The moneys to fund the Unsatisfied Judgment Fund are collected from an assessment of \$1 for each motor vehicle registered with the Department of Transportation if the Fund balance falls below \$150,000. The Fund balance at December 31, 2006, was estimated at \$210,615. It is expected that passing this bill will deplete the present Fund balance during the first year.

HB 1354 will also require that the Insurance Commissioner contract with a property claims adjuster to review and adjust claims at an estimated average cost per claim of \$100, for a total increase in expenditures to the Fund of \$16,000 annually, or \$32,000 for the biennium.

HB 1354 will require additional staff time to receive and review claims, hire claims adjusters, review reports from claims adjusters, and participate in court proceedings regarding disputed claims. It is expected that these duties can be absorbed into existing workload by existing staff.

In summary, the estimated increase in expenses for the Fund is \$1.28 million plus \$32,000 for a total of \$1.312 million for the biennium.

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.*

See explanation above.

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.*

See explanation above.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

See explanation above.

Name:	Charles E. Johnson	Agency:	Insurance Department
Phone Number:	328-2440	Date Prepared:	01/19/2007

PROPOSED AMENDMENT TO [HB 1354]

Page 1, line 10 after the words property damage insert the words to a motor vehicle

Page 2, line 8, after the words property damage insert the words to a motor vehicle

line 9, after the words property damage insert the words to a motor vehicle

line 26, after the words property damage insert the words to a motor vehicle

Proposed by:

**North Dakota PIA
Kent Olson, Executive Director**

**Phone: 223-5025
email: piand@btinet.net**

January 30, 2007

**House Amendments to HB 1354 (70609.0201) - Industry, Business and Labor
Committee 01/31/2007**

Page 1, line 10, after "damage" insert "to a motor vehicle"

**House Amendments to HB 1354 (70609.0201) - Industry, Business and Labor
Committee 01/31/2007**

Page 2, line 8, after "damage" insert "to a motor vehicle"

Page 2, line 9, after "damage" insert "to a motor vehicle"

Page 2, line 26, after "damage" insert "to a motor vehicle"

Renumber accordingly

Date: 1-30-07
Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1354

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass, as amended

Motion Made By Rep Nottestad Seconded By Rep Kuegel

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch	X		Rep. Zaiser		
Rep. Kasper	X				
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigasaa	X				

Total Yes 12 No 0

Absent 2

Floor Assignment Rep Nottestad

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

REPORT OF STANDING COMMITTEE

HB 1354: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1354 was placed on the Sixth order on the calendar.

Page 1, line 10, after "damage" insert "to a motor vehicle"

Page 2, line 8, after "damage" insert "to a motor vehicle"

Page 2, line 9, after "damage" insert "to a motor vehicle"

Page 2, line 26, after "damage" insert "to a motor vehicle"

Renumber accordingly