

2019 HOUSE INDUSTRY, BUSINESS AND LABOR COMMITTEE

HB 1156

2019 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1156
1/15/2019
30802

- Subcommittee
 Conference Committee

Committee Clerk: Ellen LeTang

Explanation or reason for introduction of bill/resolution:

Inception & termination time of specific insurance & rulemaking authority of the insurance commissioner.

Minutes:

Attachment 1, 2, 3

Chairman Keiser: Opens the hearing on HB 1156.

Michael Howe~District 22: Introduces HB 1156. This bill allows insurance companies to sell coverage for less than 24 hour period of time. It makes an exception for 3 different types of insurance. The three types are travelers, event cancelation & unmanned aircraft liability insurances.

2:00

Rep Laning: Why does this bill needs an emergency clause?

Michael: I don't know.

Chairman Keiser: The agent would ask when your event & what time, I said from 7 to midnight. Even though I bought for the day, they came back with specific language that said if it rained this much for the total day. When they write it for a 24 hour period, don't they underwrite the actual risk within that 24 hour period?

Michael Howe: I can't speak to that, I'm not in the insurance industry.

Johnny Palsgraaf~Legal Counsel for North Dakota Insurance Dept: Attachment 1.

9:15

Chairman Keiser: Page 1, line 7, we don't talk about talk about no-demand & lemonade, is it appropriate to have that section?

Palsgraaf: That could be removed. This bill does not allow all on-demand insurance.

Chairman Keiser: That could be confusing?

Palsgraaf: That is true & those different types of products have different type of risk. We have not approved that type of insurance.

Chairman Keiser: Take it off or leave it in.

Palsgraaf: Take it off.

11:00

Scott Meske~Works for the Public Affairs Firm called Adventure LLC, Director of Claims Strategy & Policy-Representing Tom Kenville, CEO, ISight RPV Services: Attachment 2.

Steve Schneider-Representing American Property Casualty Insurance Association (APCI): Attachment 3. (Steve was unable to attend).

12:30

Chairman Keiser: Anyone else here to testify in support of HB 1156, opposition, neutral? Closed the hearing? What are the wishes of the committee?

Rep D Ruby: Moves to adopt the amendment, page 1, line 7-insert "and" & page 1, line 7- " , and on-demand".

Rep Schauer: Second.

Voice vote-motion carried.

Chairman Keiser: HB 1156 is before us as amended, what are the wishes of the committee?

Rep Laning: Makes a motion for a Do Pass as Amended.

Rep C Johnson: Second.

Roll call was taken on HB 1156 for a Do Pass as Amended with 13 yes, 0 no, 1 absent & Rep Kasper is the carrier.

DP 1/13/19

19.8155.01001
Title.02000

Adopted by the Industry, Business and Labor
Committee

January 15, 2019

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1156

Page 1, line 7, after the second underscored boldface comma insert "**and**"

Page 1, line 7, remove "**, and on-demand**"

Renumber accordingly

Date: Jan 15, 2019

Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1156

House _____ Industry, Business and Labor _____ Committee

Subcommittee

Amendment LC# or Description: 19.8155.01001 Title 02000

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar

Other Actions Reconsider _____

Motion Made by Rep Ruby Seconded By Rep Schauer

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser			Rep O'Brien		
Vice Chairman Lefor			Rep Richter		
Rep Bosch			Rep Ruby		
Rep C Johnson			Rep Schauer		
Rep Kasper			Rep Adams		
Rep Laning			Rep P Anderson		
Rep Louser			Rep M Nelson		

Total (Yes) voice vote ^{No} — motion carried.

Absent _____

Floor Assignment _____

page 1, line 7 insert "and"
page 1, line 7 remove ", and on-demand"

Date: Jan 15, 2019

Roll Call Vote #: 2

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1156

House _____ Industry, Business and Labor _____ Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar

Other Actions Reconsider _____

Motion Made by Rep Laning Seconded By Rep Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep O'Brien	X	
Vice Chairman Lefor	X		Rep Richter	X	
Rep Bosch	X		Rep Ruby	X	
Rep C Johnson	X		Rep Schauer	X	
Rep Kasper	X		Rep Adams	X	
Rep Laning	X		Rep P Anderson	X	
Rep Louser	X		Rep M Nelson	Ab	

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep Kasper

REPORT OF STANDING COMMITTEE

HB 1156: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1156 was placed
on the Sixth order on the calendar.

Page 1, line 7, after the second underscored boldface comma insert "**and**"

Page 1, line 7, remove "**, and on-demand**"

Renumber accordingly

2019 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1156

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

HB 1156
3/4/2019
JOB # 33155

- Subcommittee
- Conference Committee

Committee Clerk: Florence Mayer

Explanation or reason for introduction of bill/resolution:

Relating to the inception and termination times of specific insurance and rulemaking authority of the insurance commissioner; and to declare an emergency.

Minutes:

Attachments # 1 - 2

Chairman Klein: Opened the hearing on HB 1156, all members were present.

Representative Michael Howe, District 22: Introduction and explanation of changes of HB 1156. Simply allows insurance companies to purchase insurance for a period of less than a day. Right now you have to buy insurance coverage for 24 hours. This bill changes that for 3 exceptions: Event insurance, traveler's insurance, and UAS drone insurance. Instead of insuring drone coverage for a full day you can insure it for the 3 hours you need. There is an emergency clause on the bill because people have been waiting for this to happen.

Johannes (Johnny) Palsgraaf, Legal Counsel, North Dakota Insurance Department: Testified in favor of HB 1156 and presented Attachment #1.

(7:56) Chairman Klein: Event cancelation coverage, fairs, they have to cover themselves for the full 24 hours?

Johnny Palsgraaf: Yes, there is some flexibility in the policy with different coverages for different times. They would still need to comply with the 24 hour requirement. Whether that is an app or a policy they want this to move forward.

Chairman Klein: That is just for the liability portion?

Johnny Palsgraaf: For event cancellation coverage, it would be for refunds of the whole works. For travel insurance it could be different parts. Some companies just do it for while you're on the plane.

Chairman Klein: Are you buying these from a registered agent?

Johnny Palsgraaf: These are mostly MGA companies, so yes. They are the model most of the industry is adopting. They are managing general agents for the company. They identify a market, then negotiate terms.

Senator Roers: Are we seeing significant savings with reduced time periods?

Johnny Palsgraaf: The companies have not been able to attract the insured for this price without this type of narrow window. They are able to provide at reduced costs for concentrated time periods whether that is in a day or during the times of year.

Senator Roers: Aren't we seeing this advertised on TV already, the insurance on demand? You identified 3 specific areas, next session are you going to be expanding that?

Johnny Palsgraaf: I feel we will be back. I don't know how quickly for the other types of insurance. There are issues with turn-off-able insurances.

Chairman Klein: Lemonade, is that what we've been hearing about? You just click on, give a little info, pay your bills and file a claim for the camera you lost. It's moving forward and quickly.

Johnny Palsgraaf: The North Dakota Insurance Department is taking a forward looking roll and seeing what fits for North Dakota.

Senator Piepkorn: Last time you were here, weren't we talking about this? Or maybe we were talking about it was coming faster than we thought?

Chairman Klein: That's how fast it was.

Johnny Palsgraaf: We talked about surplus lines in the other bill, those need to be in line with North Dakota statutes and how it works. Some have been doing surplus lines.

Chairman Klein: This wouldn't be traditional? Travelers insurance, unmanned aircrafts?

Johnny Palsgraaf: This is not you're traditional go to your agent get your home and auto insurance. The industry is not going that way, the opposite.

(Continued with written testimony.)

(14:28) Scott Meske, iSIGHT RPV UAS service, Grand Forks: Introduced CEO Tom Kenville.

Tommy Kenville, CEO iSIGHT RPV, Grand Forks: We're growing fast, our biggest problem is insurance. People don't know what to do with drones or young people. I'm putting in a bid with big companies, their corporate bail says you have to have \$5M or \$10M in insurance. I see this flexibility would be helpful for startups or small companies like myself. We support this.

Senator Roers: Do you have insurance companies willing to write this on demand for a short period of time?

Tommy Kenville: We haven't yet needed a daily. Last year we flew for 29 customers, for 5-6 insurance was the biggest deal. To be able to do it simply, will give us a business advantage.

Chairman Klein: You have to cover you're back, if you're flying for a big company, if there are any issues you need coverage.

Tommy Kenville: We have \$2M liability for the drones themselves. We have \$5M blanket coverage for everything else. I would like that to be more, but that is what we can swing. It is an issue. When I bid a big project, I look at what is the minimum insurance. This will be helpful to grow our industry in ND. I see this more with major hailstorms or tornados when we fly.

Levi Andrist, American Property Casualty Insurance Association (APCIA): We support HB 1156.

Steve Schneider, American Property and Casualty Insurance Association: Absentee testimony in support of HB 1156. Attachment #2.

Chairman Klein: Closed the public hearing on HB 1156.

Senator Vedaa: Moved a Do Pass on engrossed HB 1156.

Senator Roers: Seconded.

A Roll Call Vote Was Taken: 6 yeas, 0 nays, 0 absent.

Motion Carried.

Senator Vedaa will carry the bill.

**2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1156**

Senate Industry, Business and Labor Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Vedaa Seconded By Roers

Senators	Yes	No	Senators	Yes	No
Chairman Klein	✓		Senator Piepkorn	✓	
Vice Chairman Vedaa	✓				
Senator Burckhard	✓				
Senator Kreun	✓				
Senator Roers	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Vedaa

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

REPORT OF STANDING COMMITTEE

HB 1156, as engrossed: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1156 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

HB 1156

HOUSE BILL NO. 1156

Presented by: Johannes (Johnny) Palsgraaf
Legal Counsel
North Dakota Insurance Department

Before: House Industry, Business, and Labor Committee
Representative George Keiser, Chairman

Date: January 15, 2019

TESTIMONY

Good morning Chairman Keiser and members of the committee. My name is Johannes (Johnny) Palsgraaf and I am Legal Counsel for the North Dakota Insurance Department. I appear before you in support of House Bill No. 1156.

House Bill No. 1156 creates two new sections in the Property and Casualty insurance code, chapter 26.1-39. The first new section allows insurance companies to sell specific types of insurance policies with contract periods lasting less than 24 hours. The second new section provides authority for the Insurance Commissioner to adopt rules for the implementation and administration of the chapter.

Currently North Dakota statute generally requires all insurance policies to begin at 12:01 am on the day coverage begins and expire at 12:01 am on the day coverage expires. It is the Insurance Department's understanding that the primary reason for insurance policies to provide coverage for a set 24 hour period, 12:01 am to 12:01 am, is to avoid gaps and overlaps in coverage. For example, when a person purchases a new homeowners or automobile insurance policy, the set 24 hour period helps to ensure that the insured's newly purchased insurance begins at precisely the same time that the prior insurance coverage ends.

Over the last couple of years, insurance companies have begun to submit policy filings to the Insurance Department for specific types of insurance that do not conform to the 24 hour

policy period requirement and do not necessarily require insurance gap or overlap protection. Due to the statutory requirement that all insurance policies run for the set 24 hour period, the Insurance Department has not been able to approve these policies to be sold in North Dakota. House Bill No. 1156 creates an exception to the 24 hour policy period requirement for travel insurance, event cancellation coverage insurance and unmanned aircraft liability insurance. Unlike automobile and homeowners insurance, for example, these three specific types of insurance policies are not necessarily purchased in immediate succession of one another. Travel insurance is a perfect example, travel insurance is generally purchased depending on the consumers' need for the insurance.

In addition to these types of insurance not normally running for back-to-back periods, as a result of the current state of technology, consumers may now purchase insurance online and through mobile devices at any time. It is the Insurance Department's understanding that insurance companies are aiming at reducing the cost of insurance by enabling consumers to purchase insurance for the precise time period the insured requires the coverage. One example of this "on-demand" insurance is unmanned aircraft liability insurance. Through a smart phone application, after filling out the required insurance application information, a consumer can purchase unmanned aircraft liability coverage with a click of an app button. Consumers may also purchase one or more insurance policies for one hour increments multiple times per day. The target consumers for these insurance products appears to be professionals, but the insurance may also fit the needs for non-commercial or recreational consumers.

There is already demand from consumers, insurance companies and insurance producers (a.k.a. insurance agents) for these types of insurance to be sold in North Dakota. This bill includes an emergency clause aimed at providing an exception to the 24hr period for these specific types of insurance to be approved for sale in North Dakota.

In conclusion, the Insurance Department supports House Bill No. 1156 and respectfully recommends "do pass." I am happy to take any questions.

HB 1156

Attachment 2
Jan 15, 2019
ISIGHT RPV SERVICES



311 Kittson Ave., Grand Forks ND 58201

Page 1

Chairman Kaiser and Members of the Committee:

ISight RPV Services provides Remotely Piloted Vehicle (drone) operations to agricultural, critical infrastructure, wildlife management, insurance, and emergency services clients so they can utilize the value and efficiency of collecting data with unmanned aircraft. All the different industries have different insurance requirements and caps (resulting in higher premiums/costs to providers).

ISight currently has 10 commercially licensed pilots that have conducted almost \$2 million dollars in revenue in operations in 31 states and 6 countries. We know the need for insurance but also know the costs related to conduct these safe operations impacts our bottom line and ability to grow our company.

As the industry matures, an increasing amount of work is being realized in North Dakota and ISight, and other RPV providers, are increasingly confronted with rising/higher costs of operations due to liability insurance costs required for safe operations of drones within the State.

We appreciate Representative Howe's leadership and sponsoring of House Bill 1156. The bill updates the current time of coverage language in the Century Code to more adequately reflect current business practices within the UAS industry, and the insurance sectors. Passage of HB 1156 would provide ISight and other drone operators the opportunity to grow operations and remain competitive.

We appreciate your timely review of HB 1156, and urge a DO PASS vote from the Committee.

Sincerely,

Tom "Tommy" Kenville
CEO, ISight RPV Services

(218) 779-9950

tommy@isightrpv.com

APCI/American Property and Casualty Insurance Association

January 15, 2019

House Industry, Business, and Labor Committee

Support HB 1156

Chairman Keiser and Members of the Committee,

Representing nearly 60 percent of the U.S. property casualty insurance market, the American Property Casualty Insurance Association (APCI) promotes and protects the viability of private competition for the benefit of consumers and insurers. APCI represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCI members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe.

The availability and use of unmanned aircraft systems has grown dramatically in recent years. The systems themselves have become increasingly sophisticated but user-friendly. As a result, they are routinely operated by users whose primary task is something else, such as real estate sales or wedding photography. For these users, a comprehensive, traditional annual UAS insurance policy often does not make financial sense. An exception that would permit hourly and other short-term liability policies for these users and others in the “gig economy” – as proposed by HB 1156 – would afford a solution without affecting traditional insurance placements.

The rationale for such an exception is as simple as it is compelling. Without the availability of flexible insurance solutions that match these newly developing business models, users in these segments often go uninsured. For instance, Verify, an insurance producer licensed in all 50 states, has indicated that according to a countrywide user survey, nearly 83% of their users operated uninsured before the Verify solution became available.

We urge you to support HB 1156 to right-size regulation in this emerging industry. Please don't hesitate to reach out with any questions. Thank you.

Steve Schneider

sschneider@aiadc.org

312.782.7720

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3-4-19
1 pg. 1

HOUSE BILL NO. 1156

Presented by: Johannes (Johnny) Palsgraaf
Legal Counsel
North Dakota Insurance Department

Before: Senate Industry, Business, and Labor Committee
Senator Jerry Klein, Chairman

Date: March 4, 2019

TESTIMONY

Good morning Senator Klein and members of the committee. My name is Johannes (Johnny) Palsgraaf and I am Legal Counsel for the North Dakota Insurance Department. I appear before you in support of House Bill No. 1156.

House Bill No. 1156 creates two new sections in the Property and Casualty insurance code, chapter 26.1-39. The first new section allows insurance companies to sell specific types of insurance policies with contract periods lasting less than 24 hours. The second new section provides authority for the Insurance Commissioner to adopt rules for the implementation and administration of the chapter.

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Over the last couple of years, insurance companies have begun to submit policy filings to the Insurance Department for specific types of insurance that do not conform to the 24 hour

HB 1156

3-4-19

#1 pg. 2

policy period requirement and do not necessarily require insurance gap or overlap protection.

Due to the statutory requirement that all insurance policies run for the set 24 hour period, the Insurance Department has not been able to approve these policies to be sold in North Dakota. House Bill No. 1156 creates an exception to the 24 hour policy period requirement for travel insurance, event cancellation coverage insurance and unmanned aircraft liability insurance. Unlike automobile and homeowners insurance, for example, these three specific types of insurance policies are not necessarily purchased in immediate succession of one another. Travel insurance is a perfect example, travel insurance is generally purchased depending on the consumer's need for the insurance.

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There is already demand from consumers, insurance companies and insurance producers (a.k.a. insurance agents) for these types of insurance to be sold in North Dakota. This bill includes an emergency clause aimed at providing an exception to the 24 hour period for these specific types of insurance to be approved for sale in North Dakota.

In conclusion, the Insurance Department supports House Bill No. 1156 and respectfully recommends "do pass." I am happy to take any questions.

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3-4-19
#2 pg. 1/1

APCIA/American Property and Casualty Insurance Association

March 4, 2019

Senate Industry, Business, and Labor Committee

Support HB 1156

Chairman Klein and Members of the Committee,

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The rationale for such an exception is as simple as it is compelling. Without the availability of flexible insurance solutions that match these newly developing business models, users in these segments often go uninsured. For instance, Verify, an insurance producer licensed in all 50 states, has indicated that according to a countrywide user survey, nearly 83% of their users operated uninsured before the Verify solution became available.

We urge you to support HB 1156 to right-size regulation in this emerging industry. Please don't hesitate to reach out with any questions. Thank you.

Steve Schneider

steve.schneider@apcia.org

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