

2019 HOUSE INDUSTRY, BUSINESS AND LABOR COMMITTEE

HB 1176

2019 HOUSE STANDING COMMITTEE MINUTES

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

HB 1176
1/15/2019
30848

- Subcommittee
 Conference Committee

Committee Clerk: Ellen LeTang

Explanation or reason for introduction of bill/resolution:

County mutual insurance companies.

Minutes:

Attachment 1, 2, 3, 4, 5

Chairman Keiser: Opens the hearing on HB 1176.

Rod Warner~Family Mutual Insurance Company: Introduces the bill. Attachment 1.

4:30

Chairman Keiser: Page 5, can you explain that to me?

Rod Warner: In case one of us gets into financial trouble, another of the companies could either borrow them a surplus or financial (inaudible). You could call it reinsurance or a surplus note, we can help them.

Brenda Doll~Serves as the Executive Director of the North Dakota Association of Farm Mutual Insurance Companies. Attachment 2.

8:15

Rep Richter: Is every county represented by one of these companies?

Brenda Doll: Some of them do overlap in counties but I think county mutual insurance companies would cover all the counties collectively but not individually.

Chairman Keiser: Why are we going from 30 to 40? Why not 30 to 50?

Brenda Doll: The farming industry is not growing in any sense & we do have limitations in the century code as far as how much business can be written in the cities. Allows the companies to spread the risk. They have to be approved by the department of the addition of any counties.

Chairman Keiser: Do those counties have to be contiguous?

Brenda Doll: There isn't anything in code but a lot are. Most are contiguous.

Matt Fisher~ Interim Division Director of Company Licensing & Examinations & Chief Examiner for the ND Insurance Dept: I can echo what Brenda & Rod said. We did work with the department to craft this legislation. We reviewed it & respectfully support a do pass recommendation from this committee.

Chairman Keiser: Do this improve the solvency of the smaller companies?

Matt Fisher: It would increase the solvency protection in the event that something would happen. The department has no issues of what there are doing.

Chairman Keiser: Are the PnC companies happy to have them join the family PnC guarantee fund?

Matt Fisher: Insurance Commissioner Godfread spoke with some of our larger domestic insurers & none of them voiced any concerns.

Rep Kasper: Are there any county mutuals in financial problems?

Matt Fisher: All are solvent & in no financial ground.

Steve Becker~Executive Director of Professional Insurance Agents in ND: We are in support of this bill.

Ryan Dreger~Manager of Dundee Mutual Insurance Company in Park River: Attachment 3.

14:15

Rep Schauer: County mutuals are allowed to reinsure each other if necessary. Can you give an example?

Ryan Dreger: None of them ever have, if it was necessary, it could be done.

Rep Schauer: It's never been done.

Ryan Dreger: No, it's never been done before.

Chairman Keiser: Will it be out of surplus or reserves.

Ryan Dreger: Surplus.

Tracey Sherman & Lisa Strom submitted testimony.

Tracey Sherman~Secretary/Manager of Cass County Mutual Insurance Company:
Attachment 4.

Lisa Strom~General Manager of Southwest Mutual Insurance Company: Attachment 5.

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

Vice Chairman Lefor: Moves a Do Pass.

Rep Schauer: Second.

Chairman Keiser: Further discussion?

Roll call was taken for a Do Pass on HB 1176 with 13 yes, 0 no, 1 absent & Rep C Johnson is the carrier.

Date: Jan 15, 2019

Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1176

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 Lefor Seconded By Rep Schauer

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 Johnson

REPORT OF STANDING COMMITTEE

HB 1176: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
HB 1176 was placed on the Eleventh order on the calendar.

2019 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1176

2019 SENATE STANDING COMMITTEE MINUTES

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

HB 1176
3/6/2019
Job #33283

- Subcommittee
 Conference Committee

Committee Clerk: Amy Crane / Florence Mayer

Explanation or reason for introduction of bill/resolution:

relating to county mutual insurance companies.

Minutes:

Attachments # 1 - 2

Chairman Klein: Opened the hearing on HB 1176. All members were present.

Representative David Monson, District 10: Introduced the bill and gave a brief description.

Linda Huelsman, McLean McHenry Mutual Insurance Company: Testified in support of HB 1176 and provided Attachment #1.

(4:02) Senator Kreun: On page 2 item #4, what does “re-insure each other,” mean?

Linda Huelsman: It is probably never going to happen.

Chairman Klein: That would be like providing reinsurance like in 1106 and the healthcare program. We are providing an umbrella so someone can reach out and go to this pool of money.

Going from 30 to 40 wasn't that long ago. How many years ago was it that the counties went from 20 to 30?

Linda Huelsman: It's been a long time. I've been at County Mutual for 25 years.

Chairman Klein: There was a little bit on controversy with tweaking the numbers I remember.

Senator Burckhard: What's the difference between a county mutual insurance company and something like North Wester Mutual Company?

Linda Huelsman: We are limited by where we can write. We are a policy member owned by the people.

Senator Burckhard: So a co-op?

Linda Huelsman: In a way.

Chairman Klein: They are basically membership owned. Also want to point out a letter sent to the committee by Mark Johnston. See Attachment #2.

Vice Chair Vedaa: You just have property and casualty insurance under this, not life insurance?

Linda Huelsman: Correct.

Chairman Klein: Now you'll be able to participate in the guarantee association with this?

Linda Huelsman: That is my understanding, as long as this passes. Commissioner Godfread helped us to get it agreed upon by the statewide.

Chairman Klein: You will also be assessed with issues happen?

Linda Huelsman: That helps. All of us have reinsurance.

Matt Fischer, Chief Examiner and Director of Company Licensing and Examinations, ND Insurance Department: Testified in support of HB 1176. We did help with drafting this legislation and we support a do pass. I would like to address Senator Kreun's question, with re-insurance, it's insurance for your insurance company. Right now, all the county mutual are purchasing reinsurance from a third party company. The bill would allow the insurance companies to insure each other.

Chairman Klein: Do they start a pool?

Matt Fischer: No, they would enter into individual reinsurance contracts.

Senator Piepkorn: How would this benefit North Dakotans?

Matt Fischer: From the department's perspective, by allowing them to diversify geographically, going into more counties, premiums come down. Now losses are going to be shared among policyholders over the broad range of county mutual companies.

Chairman Klein: Do you know the history of County Mutual?

Matt Fischer: This pre-dates me by over 100 years. I believe the idea was, it was a group of farmers getting together to reinsure each other.

Vice Chairman Vedaa: This will help this insurance company compete better within the market. Since they're not able to spread out like this, it keeps the risk in a smaller pool.

Brad Schanilec, Walsh County Mutual Insurance Company: Back in the late 1800s, early 1900s, many people in those very rare areas could not get insurance. Therefore, they created pools and they became county mutuals. We're not looking at 40 different counties. If we have all of our risk in a small area then that hurts us pretty badly. However, if we are more spread

out, that risk only affects a lot less. How does this help North Dakotans? Back then, they had to have assessments to show they could guarantee paying large claims. Now they have reinsurance, so we all participate in reinsurance. In 2016 Walsh County Mutual had \$4 million worth of damages. It's going to keep a competitive edge open for us to keep a competitive edge.

Chairman Klein: How many mutual companies do we have in North Dakota?

Brad Schanilec: 12.

Chairman Klein: Are we creating anymore?

Brad Schanilec: No. 1885 is the first one. 1886 brought 2 more.

Chairman Klein: Center Mutual is in our district. We might go beyond that. When we talk about nation association of mutual insurance. Isn't State Farm still a mutual?

Brad Schanilec: I believe it would be.

Senator Piepkorn: How many counties are in North Dakota?

Brad Schanilec: 53.

Senator Piepkorn: Why not go statewide?

Brad Schanilec: Statewide has different criteria, which would be unaffordable for a small county mutual to work with. We're comfortable where we are.

Senator Piepkorn: I live in North Fargo, could I be a policyholder?

Brad Schanilec: Yes, we can write in cities over 10,000. That was changed 6 years ago. We can only write up to 35% of our premium dollars in cities over 10,000.

Senator Kreun: In ND there are 169 companies. With 17 domiciles. They are not small operation; it's 49% of the state's insurance companies. Here we are reinsuring with some of the largest companies out there.

Brad Schanilec: It is significant.

Chairman Klein: That is why I mentioned State Farm. I knew they were a mutual company. We would never think of that.

Steve Becker, Executive Director Professional Insurance Agents of North Dakota: Testified in support of HB 1176. We would support it based on the fact they can increase their geographic area, get rid of the assessment, become part of the state guarantee fund and modernize some of these rules.

Chairman Klein: Closed the hearing on HB 1176.

Vice Chair Vedaa: Moved a Do Pass on HB 1176.

Senator Piepkorn: Seconded.

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

Motion Carried.

Senator Piepkorn will carry the bill.

Chairman Klein: Recessed the committee.

REPORT OF STANDING COMMITTEE

HB 1176: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1176 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

HB 1176

Attachment 1
Jan 15, 2019

HB 1176

TESTIMONY

Page 1

CHAIRMAN REPRESENTATIVE GEORGE KEISER
TESTIMONY OF ROD WARNER BEFORE THE NORTH DAKOTA
HOUSE INDUSTRY, BUSINESS AND LABOR COMMITTEE.

CHAIRMAN KEISER, REPRESENTATIVE LEFOR AND MEMBERS OF THE
COMMITTEE, MY NAME IS ROD WARNER. I AM THE GENERAL
MANAGER OF FAMILY MUTUAL INSURANCE COMPANY, A COUNTY
MUTUAL INSURANCE COMPANY WITH OFFICES IN CANDO AND
BISMARCK, ND. I WOULD LIKE TO THANK YOU FOR THE
OPPORTUNITY TO APPEAR BEFORE YOU THIS AFTERNOON.

I AM HERE TODAY TO ASK YOUR SUPPORT FOR HB 1176. THE BILL
IS INTENDED TO MODERNIZE NDCC 26.1-13, THE COUNTY MUTUAL
INSURANCE COMPANY STATUTE. THIS IS A REVISION, SOME,
INCLUDING ALL COUNTY MUTUAL COMPANIES AND THE NORTH
DAKOTA INSURANCE DEPARTMENT, FELT WAS LONG OVERDUE.

OVER THE YEARS, THE COMPANIES, ALONG WITH THE DEPARTMENT
OF INSURANCE AND YOU AT THE STATE LEGISLATURE, HAVE
FIXED OR IMPROVED SECTIONS OF THE STATUTE THAT WERE
CAUSING IMMEDIATE ISSUES WITH THE OPERATION OR
REGULATORY OVERSIGHT OF THE COUNTY MUTUAL COMPANIES.

FOR YOUR HELP ALL THOSE YEARS, I, AND THE COUNTY MUTUAL COMPANIES, THANK YOU! YOUR UNDERSTANDING AND ASSISTANCE ALONG THE WAY HAS BEEN APPRECIATED AS IT HAS IMPROVED THE LIFE OPERATION AND SUCCESS OF OUR CLASS OF COMPANIES.

HOWEVER, WHILE WE HAVE ADDRESSED INTERMEDIATE NEEDS OVER THE YEARS, NO ONE HAS TAKEN A COMPREHENSIVE APPROACH TO REVIEW THE ENTIRE STATUTE WITH INTENT TO BRING IT TO A COHESIVE AND REAL TIME STATUTE.

ACCORDINGLY, OVER A YEAR AGO, AT THE SUGGESTION OF THE DEPARTMENT OF INSURANCE, OUR ASSOCIATION SET OUT TO REVIEW AND MODERNIZE NDCC 26.1-13.

I WILL LIST THE RELEVANT CHANGES TO THE STATUTE AND THE RATIONALE BEHIND THE RECOMMENDED REVISIONS. AT THE END OF THE LISTING, IF THERE ARE QUESTIONS, I WILL DO MY BEST TO ANSWER THEM AND IF I CANNOT, I PROMISE TO GET THE ANSWER TO YOU BY WRITTEN RESPONSE.

1. THE NUMBER OF COUNTIES IN WHICH THE COUNTY MUTUAL COMPANIES CAN OPERATE HAS BEEN CHANGED FROM THIRTY TO FORTY. THAT HAS BEEN SUGGESTED TO ALLOW COUNTY MUTUAL COMPANIES TO SPREAD RISK GEOGRAPHICALLY. THE RESTRICTION APPEARED TO BE AN ANTIQUATED RULE

INSTALLED TO KEEP ON COUNTY MUTUAL COMPANY FROM INSURING IN A COMPETING COUNTY MUTUAL COMPANY TERRITORY. IN ADDITION, THE AMOUNT OF VALUE OF PROPERTY AND SURPLUS WAS INCREASED TO QUALIFY FOR THE FORMATION OF A COUNTY MUTUAL COMPANY.

2. ASSESSMENT OF POLICYHOLDERS IN THE CASE OF A FINANCIAL SHORTFALL WAS REMOVED AND REPLACED WITH A REQUIREMENT COUNTY MUTUAL COMPANIES MUST JOIN THE INSURANCE GUARANTEE ASSOCIATION. THIS CHANGE IN NDCC 26.1-42. 1-02 IS FOUND AT THE END OF HB 1176. AT THE TIME THE GUARANTEE ASSOCIATION WAS STARTED, COUNTY MUTUAL COMPANIES DID NOT HAVE REINSURERS TO FALL BACK ON IN CASE OF LARGE LOSSES AND POSSIBLE FINANCIAL INSOLVENCY. INSTEAD, THEIR POLICIES PROVIDED ASSESSMENTS OF POLICYHOLDERS IN CASE OF SURPLUS SHORTAGES SUFFICIENT TO PAY CLAIMS. COUNTY MUTUAL COMPANIES HAVE NOT PREVIOUSLY BEEN PART OF THE GUARANTEE ASSOCIATION WHICH PROTECTS POLICYHOLDERS IN NORTH DAKOTA FROM PROPERTY COMPANY INSOLVENCIES. HB 1176 PROVIDES THAT COUNTY MUTUAL ADD GUARANTEE ASSOCIATION PROTECTIONS IN ADDITION TO

REINSURANCE FROM COMMERCIAL REINSURERS. REGARDING ASSESSMENTS, NO ONE IN MODERN HISTORY HAS USED OR CONTEMPLATED USING ASSESSMENTS OF POLICYHOLDERS TO COVER LOSSES.

3. REINSURANCE OF EXCESSIVE LOSSES WHICH ALLOWED COUNTY MUTUAL COMPANIES TO REINSURE EACH OTHER WAS REVISED TO REMOVE ANTIQUATED RULES AND RATIOS AND TO ALLOW IT ONLY UPON THE APPROVAL OF COMMISSIONER.
4. THE SECTION ALLOWING COUNTY MUTUAL COMPANIES TO START A REINSURANCE COMPANY WAS REMOVED AS THE REQUIREMENTS AS WRITTEN WERE NOT IN OUR JUDGEMENT, PRACTICAL IN TODAY'S INSURANCE MARKETPLACE.

I BELIEVE THAT COVERS THE IMPORTANT REVISIONS THAT ARE IN HB 1176, ALTHOUGH THERE ARE OTHER MODERNIZATIONS AND REVISIONS PROVIDING CLARIFICATION AND IMPROVING GRAMMAR.

I RESPECTFULLY ASK FOR A DO PASS ON HB 1176

AS STATED, IF YOU HAVE ANY QUESTIONS, I WILL TRY MY BEST TO ANSWER THEM.

THANK YOU

HB 1176 CHAIRMAN KEISER, VICE CHAIRMAN LEFOR, MEMBERS OF THE IBL COMMITTEE

Jan 15, 2019
Page 1

My name is Brenda Doll and I serve as the Executive Director of the North Dakota Association of Farm Mutual Insurance Companies. I also worked 38 years at Southwest Mutual Insurance Company in New Salem, North Dakota, the majority as manager.

The North Dakota county mutual insurance companies have been in existence since the late 1880's and early 1990's. These companies were formed by groups of farmers who, dissatisfied with their insurance options, decided to form their own companies. Many were formed in single counties, and expanded over the years to include surrounding counties. The North Dakota Department of Insurance was instrumental in the formation of these companies, and developed the NDCC regulation statute 26.1-13.

There are currently 11 county mutual insurance companies in North Dakota – each company providing insurance coverage in territories of 13 to 30 counties. As of year end 2017, there were slightly over 11,700 members in the 11 companies. The companies are primarily located in small North Dakota cities, governed by directors from within their respective territories, with management and staff comprised of local citizens. The companies also rely heavily on independent insurance agents throughout North Dakota.

During 2018, the eleven companies completed the task of reviewing and updating NDCC 26.1-13, resulting in the current proposed HB1176 clarifications and corrections. This review was a combined effort by the company members of our association, and the assistance and support of the North Dakota Insurance Department. Another presenter will review the proposed changes with the Committee.

HB 1176

Attachment 2
Jan 15, 2019

Chairman Keiser and Members of the Committee, on behalf of the North Dakota

Association of Farm Mutual Insurance Companies, I respectfully request a do pass
recommendation on House Bill 1176.

Page 2

Thank you.

HB 1176

Attachment 3
Jan 15, 2019
Page 1
TESTIMONY

HOUSE BILL 1176

CHAIRMAN KAISER, VICE CHAIRMAN LEFOR AND MEMBERS OF THE COMMITTEE. MY NAME IS RYAN DREGER AND THE MANAGER OF DUNDEE MUTUAL INSURANCE COMPANY IN PARK RIVER, ND. OUR COMPANY IS ONE OF 11 COUNTY MUTUALS THAT PROVIDE PROPERTY/CASUALTY INSURANCE. I AM HERE TODAY TO ASK FOR YOUR SUPPORT OF HOUSE BILL 1176.

THE PROPOSED CHANGES TO SECTION 26.1-13 ARE TO UPDATE STATUTE THAT WAS WRITTEN SEVERAL YEARS AGO. ALTHOUGH THERE ARE SEVERAL SMALL CHANGES THAT WE FEEL ARE NECESSARY, I WISH TO FOCUS ON THE MAIN CHANGES WE'VE REQUESTED.

THE NUMBER OF COUNTIES IN WHICH COUNTY MUTUALS CAN WRITE IS THIRTY AND WE'RE ASKING TO HAVE THAT CHANGED TO 40. THIS DECISION WOULD HELP US SPREAD OUR RISK OVER A GREATER AREA. THIS IS A NECESSITY FOR A COMPANY SUCH AS OURS AS TOO MUCH RISK IN A SMALL AREA CAN HAVE LARGE FINANCIAL CONSEQUENCES. THE CHANGE WOULD ALSO WOULD ASSIST A COUNTY MUTUAL IN THE EVENT OF A MERGER OF COMPANIES. ALTHOUGHT THESE FINAL CHANGES WOULD NEED TO BE APPROVED BY THE COMMISSIONER, IT WOULD MAKE A TRANSITION EASIER.

HB 1176

Attachment 3
Jan 15, 2019
Page 2

THE ASSESSMENT OF POLICYHOLDERS IS ANOTHER KEY AREA WE FEEL SHOULD BE REMOVED. WITH THE RECENT ASSISTANCE OF COMMISSIONER GODFREED, WE NOW HAVE ACCESS TO THE STATE GUARANTEE FUND WHICH SHOULD PROTECT OUR COMPANIES FROM INSOLVENCY. WE ALSO HAVE ACCESS TO REINSURANCE COMPANIES AS AN ADDED MEASURE OF SECURITY WHICH WERE NOT IN PLACE WHEN THE STATUTE WAS WRITTEN.

REINSURANCE OF EXCESSIVE LOSS HAS ALSO BEEN CHANGED SO THAT UPON APPROVAL BY THE COMMISSIONER, COUNTY MUTUALS ARE ALLOWED TO REINSURE EACH OTHER IF NECESSARY.

CHAIRMAN KAISER AND MEMBERS OF THE COMMITTEE, I RESPECTFULLY ASK FOR A DO PASS ON HOUSE BILL 1176. THANK YOU.

HOUSE BILL 1176

TESTIMONY BY: TRACEY SHERMAN BEFORE THE ND HOUSE OF INDUSTRY, BUSINESS AND LABOR COMMITTEE

Chairman Keiser, Representative Lefor and Members of the Committee,

I am Tracey Sherman, Secretary/Manager of Cass County Mutual Ins. Company of Casselton, ND. I have been in the County Mutual Insurance Industry for 17 years and have served on the Legislative Committee for the ND Association of Farm Mutuals for the past 4 years. I would to thank you for the opportunity to appear before you this afternoon and to ask for your support of HB 1176.

Albeit, there are many changes that have been submitted for HB 1176, I want to take this time to state that there are a good percentage of housekeeping items, such as verbage, grammar and punctuation and these are simply keeping up with the sign of the time. But a few key points of this bill are as follows:

1. The Reinsurance of excessive losses section of this bill under chapter 26.1-13-19 was designed in a very different time period of about 90 years ago, reinsurance of this subject matter has been revised to remove outdated requirements, but still be allowed upon the approval of the Insurance Commissioner.
2. With the update to the reinsurance portion this effect, would ultimately, need an update to the Guarantee Fund Chapter 26.1-42.1, removing the exception of County Mutual Insurance Companies. This would be a further protection for our consumers, to be able to participate in the Guarantee Fund.
3. The last most notable change is the removal of Chapter 26.1-13-20, in regards to assessments. This is also, a very outdated portion of the chapter, that can ultimately create hardships to both our consumers and the county mutuals. Its intent was to protect consumers, by assessing them, in the event the company was financially insolvent, when county mutuals did not have commercial reinsurance options.

The need for updating, outdated, correspondence in this bill will continue to let our county mutuals grow and continue to offer competitiveness within our state.

I respectfully ask for a DO PASS on HB 1176.

Thank you.

HB 1176

Chairman Representative George Keiser

Testimony of Lisa Strom before the North Dakota House Industry, Business and Labor Committee.

Chairman Keiser, Representative Lefore and members of the committee, My name is Lisa Strom. I am the General Manager of Southwest Mutual Insurance Company, A 119-year-old County Mutual insurance company located in New Salem, ND. I am here today with two of our Board members and we Thank you for the opportunity to appear before you this afternoon.

We are here today to ask your support for HB 1176. The bill is intended to modernize NDCC 26.1-13, the County Mutual Insurance Company Statute. This revision, as stated earlier is long overdue.

We, like others here in support of the bill, believe that these changes will bring the long-standing tradition of county mutual into the current era. If we cannot modernize, we cannot survive. While the county mutual have had a strong presence in North Dakota and support the North Dakota way of life – Strong and Independent, recent years have seen the decline of the family farms and small towns. Providing the farmers, ranchers and small-town residents in our territory with affordable insurance options with local superior customer service is our mission. But expanding our territory and spreading risk while moving into a 21st century world is imperative to the survival of the county mutuals. “Reinventing” the way we do business is critical to our survival as is modernizing the language in the Century Code.

I respectfully request for a DO Pass on HB 1176.

Thank you.

HB 1176

TESTIMONY

CHAIRMAN KLEIN, VICE CHAIRMAN VEDAA AND MEMBERS OF THE COMMITTEE:
MY NAME IS LINDA HUELSMAN, AND I AM THE MANAGER OF MCLEAN MCHENRY
MUTUAL INSURANCE COMPANY IN TURTLE LAKE, ND. THANK YOU FOR THE
OPPORTUNITY TO APPEAR BEFORE YOU TODAY.

I AM HERE TO ASK FOR YOUR SUPPORT OF HB 1176, WHICH IS A BILL INTENDED
TO MODERNIZE THE COUNTY MUTUAL INSURANCE COMPANY STATUTE
NDCC 26.1-13.

OVER A YEAR AGO, AND AT THE SUGGESTION AND ASSISTANCE OF THE
DEPARTMENT OF INSURANCE, OUR NORTH DAKOTA ASSOCIATION OF FARM
MUTUAL INSURANCE COMPANIES BEGAN THE TASK OF REVIEWING AND
UPDATING THIS SECTION OF THE STATUTE.

THE REVISIONS INCLUDE:

1. THE TERRITORY IN WHICH A SINGLE COUNTY MUTUAL COMPANIES CAN
OPERATE IN WAS INCREASED FROM THIRTY COUNTIES, TO FORTY;
2. THE QUALIFYING MINIMUM VALUE TO PROPERTY AND SURPLUS TO START A
COUNTY MUTUAL WAS ALSO INCREASED;
3. ASSESSMENT, WHICH IS AN ANTIQUATED PROCESS ALLOWING THE CHARGE
BACK OF LOSSES TO POLICYHOLDERS IN THE CASE OF A FINANCIAL SHORTFALL OR
INSOLVENCY, HAS BEEN REMOVED AND REPLACED WITH A REQUIREMENT

COUNTY MUTUAL COMPANIES JOIN THE INSURANCE GUARANTY ASSOCIATION. ACCORDINGLY, SHOULD HB 1176 BE APPROVED, NDCC 26.1-42 WILL ALSO BE AMENDED TO PROVIDE ACCESS TO COUNTY MUTUAL COMPANIES INTO THE GUARANTY ASSOCIATION.

4. THE PROVISION IN CURRENT STATUTE PROVIDING COUNTY MUTUAL COMPANIES TO REINSURE EACH OTHER HAS BEEN REVISED NOW REQUIRING APPROVAL OF THE COMMISSIONER OF INSURANCE.

5. THE PROVISIONS IN CURRENT STATUTE ALLOWING COUNTY MUTUAL COMPANIES TO START A REINSURANCE COMPANY WAS REMOVED AS THE FINANCIAL THRESHOLD NECESSARY TO START A REINSURANCE COMPANY IS NOT PRACTICAL GIVEN THE SIZE OF THE COMPANIES AND THE SUBSEQUENT LOSS EXPOSURE.

THESE SUBSTANTIVE AND A FEW SMALLER GRAMMATICAL REVISIONS WILL BRING NDCC 26.1-13 INTO A LONG OVERDUE EFFICIENT AND LOGICAL FORM ALLOW THE COUNTY MUTUAL COMPANIES IN COOPERATION WITH THE STATE DEPARTMENT OF INSURANCE, TO BETTER SERVE OUR POLICYHOLDERS.

I RESPECTFULLY ASK FOR A DO PASS ON HB 1176. THANK YOU.



317.875.5250 | [F](tel:3178798408) 317.879.8408
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March 4, 2019

The Honorable Jerry Klein
Chairman, Senate Industry, Business and Labor Committee
State Capitol Building
600 East Boulevard
Bismarck, North Dakota 58505

Re: Letter in Support of HB 1176 – March 6, 2019 Hearing

Dear Chairman Klein and Committee Members:

NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies. We support local mutual insurance companies on main streets across America and many of the country's largest insurers, which serve more than 170 million policyholders. In North Dakota, we have 169 member companies, including 17 domiciled companies, which underwrite 49% of the state's insurance coverage.

NAMIC writes to express our support for HB 1176, which updates the county mutual code by removing overly prescriptive requirements such as mandating a particular date for the mutual's annual meeting instead of allowing the mutual's stakeholders to select a better date. This and other cleanup will allow the mutual to better respond to policyholder needs without compromising county mutual's agricultural roots and commitment to serving the rural market.

Thank you for your attention to this matter. If you have any questions or concerns, please do not hesitate to contact me. In the meantime, I remain,

Sincerely,

Mark Johnston
Regional Vice President – Midwest

cc: Mr. Rod Warner, NDAFMIC
Mr. Rob Hovland, ANDI