



North Dakota Insurance Department

Jon Godfread, Commissioner

Greetings,

I'd like to take this opportunity to share the direction the Department is moving in and to provide an update on important insurance legislation passed during the 2017 Legislative Assembly. The mission of the North Dakota Insurance Department is to protect the public good by fairly and effectively administering the laws of our great state. As Commissioner, my greatest concern lies with North Dakotans. My job is to make sure consumers, producers and insurance companies all know where to find critical information and that the Department is always available for contact when questions or problems arise.

Unfortunately, insurance is not something that most people think about until they need it. This is just one reason why it is so critical that consumers know they can reach out to the Department with their questions and concerns. Our logo reads "North Dakota Insurance Department – Protecting the Public Good." This statement following the Department's name is much more than a sentiment, it's our promise to be a reliable resource while always striving to provide the best customer service possible.

Since taking office in January, I have been focused on shifting our mentality as an agency to being more service-driven in everything we do. It is my goal that the Department remain a transparent and approachable state agency. In the future, the Department will work to provide more education to North Dakotans about the insurance industry and the variety of services we offer. As we strive to become more service-driven, I encourage individuals to reach out to the Department with questions or concerns. I cannot promise that we will solve every problem but we cannot address issues if we don't know they exist. Just as we are here to serve and protect the consumers of our state, we are also here to work with producers and insurance companies, providing them with the tools needed to better serve consumers.

The 2017 Legislative Session kicked off on January 3 and like many before, it was full of activity with much focus on the budget for the current or 2017-19 biennium. The North Dakota Insurance Department celebrated the successful passing of a good number of bills thanks to the dedicated work of its staff. I encourage all North Dakotans to take a moment to review these important bills.

Sincerely,

A handwritten signature in black ink, appearing to read "J Godfread".

Jon Godfread
North Dakota Insurance Commissioner



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SUMMARY OF INSURANCE LEGISLATION (WITH NORTH DAKOTA CENTURY CODE REFERENCES)

65th LEGISLATIVE ASSEMBLY EFFECTIVE AUGUST 1, 2017¹

HB 1010 – Insurance Department appropriation (26.1-01-09). The Insurance Department’s appropriation bill for the 2017-2019 biennium reduced the number of full-time equivalent (FTE) positions from 49.5 to 46 and reduced the overall appropriation for salaries, benefits, operating expenses and capital assets from \$11,545,139 to \$10,729,344, for an overall reduction of 7.06%.

This legislation became law on July 1, 2017.

AGENT LICENSING

HB 1112 – Licensing and conduct of insurance producers (amends 26.1-02.1-01, 26.1-02.1-02.1, 26.1-26-15 and 26.1-26-39). This bill ensures the Commissioner has the power to deny an individual who is not fit to conduct insurance business an insurance producer license. This legislation does four things:

1. It adds definitions of “breach of trust” and “dishonesty” to clarify what types of crimes are considered felonies involving dishonesty or breach of trust under Section 26.1-02.1-02.1(3);
2. It clarifies that the Commissioner is required to deny, revoke or refuse to renew an insurance producer license where an applicant or licensee has been convicted of one of these felonies;
3. It clarifies that because Section 26.1-26-15 requires a finding by the Commissioner that an applicant for a license is competent, trustworthy, financially responsible and of good personal and business reputation, the Commissioner has the authority to deny a license where such a finding is not made; and
4. It clarifies that Section 26.1-26-39 applies to both applications for an insurance producer license and an application to renew an existing insurance producer license. These amendments allow the Commissioner to protect consumers from unqualified producers attempting to sell them insurance. These amendments also benefit the insurance producer community by preventing these unqualified individuals from competing with and working among qualified producers.

¹ Some bills are effective on a date other than August 1, 2017. Those effective dates are noted where applicable.

This legislation had an emergency clause that carried and became law on March 2, 2017.

COMPANY LICENSING AND EXAMINATIONS

HB 1100 – Confidentiality for risk-based capital reports (amends 26.1-03.2-08). This legislation amends existing risk-based capital (RBC) reports for health companies in three ways:

1. It facilitates sharing and receiving confidential documents with and from other jurisdictions;
2. It states that no waiver of the confidentiality will occur as a result of the authorized sharing; and
3. It prohibits the Commissioner and his staff from testifying in a private civil action concerning any of the confidential documents.

This legislation had an emergency clause that carried and became law on March 9, 2017.

SB 2103 – Fees chargeable by the commissioner (amends 26.1-01-04, 26.1-01-07 and 26.1-15.1-35). This legislation eliminates the \$10 fee checks the Department must collect and process as this process was not cost effective. In order to make up for the revenue the state will lose from not collecting these \$10 fees, this legislation modestly increases fees the Department collects from companies in three other areas:

1. The annual renewal fee for a company's Certificate of Authority increases from \$50 to \$100;
2. The fee for filing an annual report for a fraternal benefit society and for issuing a license or permit to the society, and for each renewal thereof, increases from \$25 to \$100; and
3. The fee for issuing a certificate to a domestic insurance company showing a compliance with the compulsory reserve provisions of the insurance code and the maintenance of proper security deposits, along with the fee for any renewal of this certificate, increases from \$10 to \$25.

This legislation became law on July 1, 2017.

LEGAL

SB 2105 – Exempting producer home address from open records laws (new section to chapter 26.1-26 and amends 26.1-02-30). This legislation exempts a producer's home address from the state's open records laws and expands the definition of "personal, financial, or health information" as those terms pertain to state open records laws under N.D.C.C. § 26.1-02-30 (2) by removing the requirement that this information be collected from or on behalf of an individual requesting consumer assistance from the Insurance Department.

SB 2140 – Rebating limits (amends 26.1-04-03, 26.1-04-06 and 26.1-25-16). This legislation allows an insurance producer, subject to certain limitations, to give certain gifts to customers or prospective customers of up to \$100 per person per year.

LIFE AND HEALTH

HB 1286 –Insurable interests in personal insurance (amends N.D.C.C. § 26.1-29-09.1).

Allows for a broader definition of insurable interest specific to nonqualified deferred compensation plans, as defined by the IRS, being provided for a service provider who is not an employee. An entity is now allowed to purchase a life insurance policy for an individual if the individual is enrolled in the nonqualified deferred compensation plan provided by the entity.

SB 2231 – Informed decision making for choosing air ambulance service providers, regulating how health insurance companies pay out-of-network air ambulance claims (amends 26.1-47 and creates a new section to 23-16). The legislation states that before a hospital refers a non-emergency patient to an air ambulance service provider licensed by the Department of Health or initiates contact with such an air ambulance service provider for air transport of the patient, the hospital shall inform the patient or the patient’s representative of the air ambulance provider’s health insurance network status for the purpose of allowing the patient or the patient’s representative to make an informed decision on choosing an air ambulance service provider or form of transportation. The bill also regulates how health insurance companies pay certain out-of-network air ambulance claims to eliminate massive, unexpected balance bills to consumers with health insurance.

The informed decision making portion of the bill is effective August 1, 2017, the portion of the bill regulating how health insurance companies pay out-of-network air ambulance claims is effective January 1, 2018.

SB 2267 - Authority of the insurance commissioner to investigate health insurers (amends 26.1-36-41). This bill clarifies that the Insurance Commissioner has access to certain information in the possession of insurance companies that is made confidential by the provisions of Section 26.1-36-41 of the Century Code when the Commissioner is conducting an insurance fraud investigation.

PROPERTY AND CAUSALTY

HB 1147 – Authority of county mutual insurance companies (amends 26.1-13-15). This legislation allows county mutual insurance companies to insure non-commercial structures within the platted limits of incorporated cities.

HB 1198 – Binders (amends 26.1-39-23). This legislation clarifies that binders are allowed to be used for commercial lines of insurance.

HB 1247 – Termination of insurance and duplicate property insurance coverage (amends 26.1-39-11, 26.1-39-20, 26.1-40-01 and 26.1-40-09) – This bill clarifies the ability of an insurance company or an insured to terminate an initial insurance policy in the situation where an insured has subsequently purchased a policy that provides duplicate coverage. Termination of the initial policy is considered effective on the effective date of the replacement policy providing duplicate coverage, and the insured is entitled to a refund of premium back to the effective date

of the replacement policy providing duplicate coverage. Amendments to both sections include a requirement that the insured is entitled to notice of the policy termination.

The terms of an insurance contract are not superseded by this discretionary statute. In other words, if an insurance contract specifically lists all of the current ways in which an insurance policy may be cancelled by an insurer, this statute does not amend or supersede the insurance contract.

HB 1302 – Property and casualty covered loss (amends 26.1-39-05). This bill allows for a total loss within the first 60 days to be paid as if it were a partial loss on a property. The bill changed the specific day requirement from 90 days to 60 days.

SPECIAL FUNDS

HB 1101 – Reporting of premium and losses for the state fire and tornado fund (26.1-22-14). This bill changes the requirement of submitting all data concerning premium written and losses incurred from each odd-numbered year to the previous five-year period, and changes the biennium ending date from July 31 to June 30.

The complete text of all legislative bills, resolutions and journals is available at www.legis.nd.gov.