

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2192

2001 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2192

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2192

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date January 22, 2001

Tape Number	Side A	Side B	Meter #
1		x	6.4 to 28.8
Jan 23/01 2	x		21.4 to 30
Mar 20/01 1	x		25.3 to 38.1
Committee Clerk Signature <i>Doris E. Perry</i>			

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on SB 2192 relating to equity indexed life and annuity insurance contracts.

SENATOR TONY GRINDBERG, in favor of this bill.

PAT WARD, ACLI, NAIL, SF, ND Domestics. All insurance companies favor equity indexed life and annuity insurance contracts.

VANCE MAGNUSON, ND Insurance Dept.. This is not a new product, product is already there; it says what happens if company goes belly-up.

SENATOR ESPEGARD: This bill would determine liability based on set index if company goes out of business.

VANCE MAGNUSON: Yes, before, there was no guarantee in variable accounts now there will be.

SENATOR MUTCH: Who manages index or other external references?

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Senate Industry, Business and Labor Committee

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VANCE MAGNUSON: Company could have a subdivision, affiliate or outside entity.

SENATOR MUTCH: Your department not involved in determining accuracy of index?

VANCE MAGNUSON: We are a prior approval state so we review the filings. Problem is this is a variable product not an FTC regulated product.

SENATOR D. MATHERN: What does "impaired" means?

VANCE MAGNUSON: A legal declaration company has fallen below certain requirements like capital/surplus ratio. May not be bankrupt, but impaired.

SENATOR KREBSBACH : Products already approved for sale in state, this only adds them to life and health guarantee association?

VANCE MAGNUSON: Yes.

SENATOR MUTCH: All member companies licensed to do business in ND, are assessed proportionately to make up for the deficiency.

VANCE MAGNUSON: Yes,

PAT WARD, ACLI, NAIL, SF, ND Domestics. In pre-session meeting this idea was discussed. This legislation would be for the benefit of the guarantee association. Earlier testimony was mistaken. Idea here is to repay this annuity contracts people have bought.

SENATOR KREBSBACH: This excludes restrictions for guarantee association?

VANCE MAGNUSON: Yes, they are considered like a life contract or an annuity contract. This policies already covered, lists requirements for coverage.

Hearing concluded pending further testimony in favor of this bill.

January 23, 2001. Tape 2-A-21.4 to 30. Committee reconvened. Discussion held. Written testimony submitted by JAMES C. BECDSTROM, Executive Director, NDL&HIGA

SENATOR KLEIN: Moved do pass. SENATOR TOLLEFSON: Seconded.

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Senate Industry, Business and Labor Committee  
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Roll call vote: 7 yes; 0 no; 0 absent. Carrier: SENATOR ESPEGARD.

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Senate Industry, Business and Labor Committee

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March 20, 2001. Tape 1-A-25.3 to 38.1

Committee reconvened. All members present. House amendments to bill studied.

**Pat Ward**, ND Domestic Insurance Companies, explained intent of amendments presented, to clarify. Urges committee to concur. In the time between the bill leaving the Senate and going to the House we became aware that in order for the bill to do what we wanted it to do some provisions would need to be included. Rather than waiting another session to do it we decided to do it now and these are the House amendments. Written testimony attached.

Discussion held.

**Senator Krebsbach**: Motion: accede to House amendments. **Senator Mathern**: Second.

Roll call vote: 7 yes; 0 no. Floor assignment: **Senator Espgaard**.

Date: 1/23/01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2192

Senate Senate Industry, Business and Labor Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Klein Seconded By Tollefson

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Espegard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment S. Espegard

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

**REPORT OF STANDING COMMITTEE (410)**  
January 25, 2001 8:40 a.m.

**Module No: SR-13-1574**  
**Carrier: Espegard**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2192: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2192 was placed on the Eleventh order on the calendar.**



Date: 3/20/01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2192

Senate Industry, Business and Labor Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Accede to House amendment

Motion Made By Sen Krebsbach Seconded By Sen Mathem

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathem	✓	
Senator Espgaard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 7 No 0

Absent \_\_\_\_\_

Floor Assignment Sen Espgaard

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

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2192

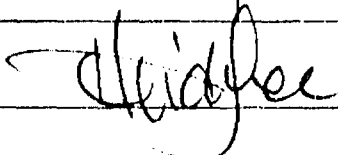
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2192

House Industry, Business and Labor Committee

Conference Committee

Hearing Date March 6, 2001

Tape Number	Side A	Side B	Meter #
2		X	20.4-47.2
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Chairman Berg: We'll open SB 2192.

Pat Ward: *ND Domestic Insurance Co.* **Written testimony in support of bill.**

Jim Beckstrom: *ND Life and Guarantee Assoc.* **Written testimony in support of bill.**

Rep Lemieux: How many dollars are in the fund right now?

Beckstrom: At the present time the Life and Health Association has approximately 4 million dollars in our accounts. When I say accounts the act requires us to have assessment accounts for life insurance, annuities, and for health insurance. We are not an advance funded organization similar to the FDIC because we're not a governmental agency. When an insolvency occurs we have authority under the act to assess all of our member companies in relation to the average of their last three years of ND premium. At the moment we have a little bit of a cushion, we have

not had to do an assessment of our member companies now for a couple of years, either from the standpoint of an assessment or from the standpoint of operating funds. Our member companies every year are required by the act of the members of our association.

Rep Lemieux: If you have a company on shaky ground, the assessment doesn't come until after that company goes out of business and it's assessed against all of their competitors.

Beckstrom: That's correct. The industry has an unusual way of doing it. The insurance department does an auditing of us and we are also audited by an outside auditor. The association itself, which was created by the ND Legislature, handles those funds.

Rep Lemieux: Where is the association actually located?

Beckstrom: My office is in Fargo, that's because the three members of the executive committee of the association are all with insurance companies in Fargo. To facilitate the meeting of that organization with their elected officials, the office is in Fargo. The property and casualty association office is in Bismarck.

Vice-Chairman Keiser: How are these moneys being used?

Beckstrom: Myself and the accountant are both independent contractors hired by the association to perform certain services for them. The directors of the association serve without pay and the executive committee does also. Office space is donated by one of the domestic ND companies.

Vice-Chairman Keiser: How will these 4 million potentially be used?

Beckstrom: We are required to use those moneys to fund ongoing and new insolvency's, a certain portion of it relates to health insurance line, annuities, and life insurance all separate. So long as there are annuity contracts out there that are not transferred to another carrier, every year we have to pay the portion of those annuities so that the payments can be made on a monthly

or quarterly or annual basis to the ND residents. We will be using the money in that way and we have no leeway in that regard.

Rep Froelich: How many insolvency's has there been in the last ten years?

Beckstrom: On the life and health side, in terms of the ones that have been licensed in ND and have ND policy holders that we would be protecting, there's probably been 30-40. Some of them are very small companies with only a few policy holders in ND. We are affected to some extent financially by those insolvency's.

Rep Lemieux: The companies that were operating that were selling products that were shaky, that have created these insolvency's, this fund you reassess, who pays the premiums? The average policy holder in ND?

Beckstrom: It's a national system. Each state has their own Association to protect the residents of that particular state. When an insolvency would occur, we would assess the insurance companies the insurance companies that are licensed in ND to fund the transfer of those policies to a new solvent insurance company. This is viewed as a cost of doing business and as a requirement to maintain the integrity of the life and health insurance industry.

Vice-Chairman Keiser: In trying to place a policy, especially adding this new form, the index policy, do you have the authority to go outside the state to firms that aren't licensed in the state for placement of that policy to get comparable value?

Beckstrom: In a normal situation we work with our national, that acts as an agent for all of the state associations that are affected by that insolvency and it has been very rare in the time I have been associated with the Association that the company that would be proposed to take over the contracts would not be licensed in ND when that has happened on one or two occasions, in one

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House Industry, Business and Labor Committee

Bill/Resolution Number SB 2192

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instance the insurance department okayed it for the transfer because there were only one or two policy holders affected by it and the company may or may not have made a commitment to become licensed in ND. In one other instance the company made an arrangement either with a sister company or a subsidiary that was licensed in ND to take over that contract. By and large the companies we would deal with would be licensed in ND almost exclusively.

Rep M. Klein: You determine what company will take over a contract of a failed business?

Beckstrom: Yes. In a normal situation our national organization which is called National Organization of Life and Health Insurance Associations, has paid staff that go through a search to locate a carrier that would be willing to assume these contracts. Then each state would have to fund the reserves for those contracts and then the new carrier would take them over and the contracts would be almost entirely the same as it was initially issued.

Chairman Berg: We'll close the hearing on SB 2192. What are the committee's wishes?

Vice-Chairman Keiser: I move the adoption of the amendments.

Rep M. Klein: I second.

*Motion carries*

Vice-Chairman Keiser: I move a do pass as amended.

Rep M. Klein: I second.

13 yea, 0 nay, 2 absent

Carrier Rep. Koppang

