

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2247

2001 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2247

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2247

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date January 31, 2001.

Tape Number	Side A	Side B	Meter #
2	x		21.4 to end
3	x		0 to 3.9
(2/05/01) 2		x	48.5 to end
3	x		0 to 1.6
Committee Clerk Signature <i>Dora E. Perez</i>			

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on SB 2247 relating to an exemption from insurance licensing requirements for nonresident insurance agents.

SUSAN RIBEIRO, President, Frontier Trust Co., Fargo. In favor of this bill. Written testimony attached. Asks that in page 1 line 7, replace "agent" with "producer" to conform to language used by the Insurance Commissioner.

SENATOR ESPEGARD: When you hold a policy you actually write an application for that insurance?

S RIBEIRO: Insurance producer does, for example in Florida, and sends it to North Dakota because as trustees we would need to sign it by law. The question is that the producer has to be licensed in ND, because the signature was placed in ND even though the producer is outside of ND. It's a technicality.

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SENATOR JUDY LEE: Supports this bill.

REP. EARL RENNERFELDT, Dissect. 1, Supports this bill. We are located close to Montana and this would facilitate business.

MARILYN FOSS, ND Bankers Assn. Favors this bill. Insurance department advised us there would be no negative impact on NIA, they would exert jurisdiction if this was not changed. In our view this exemption is necessary in the case of an out of ND insurer but a ND trustee. Our citizens move south but would like a ND trustee when contemplating estate planning. This is not a consumer issue.

LAURIE WOLF, ND State Insurance Dept. We would assert jurisdiction over the out of state producer because the issuer to a ND resident would need a ND license.

TERRY WEIS, ND AIFA, Opposes this bill. Written testimony attached. Other states we do business in require us to register as nonresident agents.

S RIBEIRO: Clarify: most laws are to protect consumer. We want to make irrevocable trusts available to more people. I am dealing with producers all over the country who may sign only one policy with me. If a license is required I might lose these clients.

SENATOR MUTCH: How much do you charge for holding the policy?

S RIBEIRO: \$200 per year.

SENATOR KLEIN: Does the insurance department see potential enforcement problems?

L WOLF: If the agent lacks a nonresident license we would lack jurisdiction, would have to turn to that state's insurance commissioner. The consumer would be affected by having to go to the out of state insurance commissioner.

SENATOR ESPEGARD: This type of law on any other states?

S RIBEIRO: No other state has passed this law. ND would be the first.

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PAT WALD, ND Domestic Insurance Co. Oppose this bill. License as nonresident agent not a huge obstacle, it may only add a little cost up front; consumer would be protected.

Hearing closed.

February 05/01. Committee reconvened. All members present. (Tape 2-B-48.5 to end; 3-A- 0 to 1.6) Discussion held.

SENATOR ESPEGARD: Issue here is the nonresident insurance license. If they are not licensed here the insurance department cannot regulate them.

SENATOR TOLLEFSON: Move: do not pass. SENATOR ESPEGARD: Second.

Roll call vote: 7 yes; 0 no. Carrier: SENATOR ESPEGARD.



**REPORT OF STANDING COMMITTEE (410)**  
February 6, 2001 8:58 a.m.

**Module No: SR-21-2449**  
**Carrier: Espegard**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2247: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO NOT PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2247 was placed on the Eleventh order on the calendar.**

2001 TESTIMONY

SB 2247



**TESTIMONY OF SUSAN RIBEIRO  
IN FAVOR OF SENATE BILL 2247**

**Mr. Chairman, Members of the Committee:**

**My name is Susan Ribeiro I am President of Frontier Trust Company which is located in Fargo, North Dakota.**

**Frontier Trust Company, FSB is a Federal Savings Bank with trust powers that was originally chartered in the early 1960's. In 1987, Frontier Trust Company was purchased by The Equitable Life Assurance Society of the U.S. in June, 2000, at the time of the conversion to a Federal Savings Bank, ownership was transferred to AXA Financial.**

**Frontier provides trustee services for retirement plans, and certain types of personal trusts. Frontier is trustee for over 2700 companies and individuals. Most of our clients are located outside the state of North Dakota.**

**You may be aware that Frontier has introduced three bills relating to trust services for the consideration of the 2001 Legislative Session. To quote a recent business journal article, "Trust is hot business". South Dakota, Delaware and other states have passed laws to attract trust business that is profitable but also safe and sound.**

**Senate Bill 2247 is one of the three bills Frontier is sponsoring. It relates to licensing requirements for an insurance producer who assists a grantor to establish an irrevocable life insurance trust.**

**Irrevocable Life Insurance Trusts are an extremely valuable tool in estate planning. If properly established and administered, such a trust allows the death benefits of an insurance policy held in the trust to pass to the trust beneficiaries free from estate tax.**

At Frontier, the only assets held in an Irrevocable Life Insurance Trust are insurance policies on the life of the trust grantor(s). In the vast majority of these cases both the insured person and the insurance producer are not located within the State of North Dakota. The only contact these persons have with North Dakota is Frontier Trust Company.

In all such cases, Frontier acts as a directed trustee and is not involved in the selection of the insurance policy or the insurance producer; our only function is to complete the necessary policy applications and hold the contract in trust.

The proposed bill would exempt an insurance producer, licensed in another state, from the licensing requirements of the State of North Dakota when that producer's sole contact with the State of North Dakota is obtaining a signed insurance contract application from a financial institution located in North Dakota in connection with the establishment of a life insurance trust.

The bill would encourage the establishment of Irrevocable Life Insurance Trusts with North Dakota financial institutions. It would also eliminate the State's administrative task of licensing an out-of-state insurance producer whose only contact with North Dakota may be limited to a single insurance application for an Irrevocable Life Insurance Trust. Finally, it would clearly indicate to out of state insurance companies that their producers need not be licensed by North Dakota in these special circumstances.

Frontier is in favor of SB 2247 and we hope the committee will vote to recommend passage of this bill.

**PROPOSED AMENDMENT TO SB 2247**

**Page 1, line 7, replace "agent" with "producer**

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**TESTIMONY OPPOSING SB 2247**

By  
**TERRY WEIS**  
January 31, 2001  
10:00 am

**SENATE IBL COMMITTEE**  
**DUANE MUTCH, CHAIRMAN**

Good morning Mister Chairman and members of the Senate Industry, Business and Labor Committee.

For the record, my name is Terry Weis and I am here on behalf of the North Dakota Association of Insurance and Financial Advisors, formerly known as the North Dakota Association of Life Underwriters.

Our association has about 700 member insurance agents from all parts of North Dakota who sell Life, Health, Property insurance as well as other financial products.

Our membership is made up of insurance agents who are licensed in North Dakota and we are required to be licensed in other states, that we do business in, as non-resident agents. Licensing of agents in the state is needed to regulate their activities. Licensing of agents is the most basic function of the insurance department. If an agent from out of state writes business in this state and there is a complaint filed, how would the Insurance Department ever know how to find this agent.

I would suggest if you have any questions about regulating non-licensed agents that you ask the Insurance Department for clarification on how they might approach the issue.

If I can answer any questions, I would be happy to do so.

**I urge a DO NOT PASS on SB 2247.**

Thank you for your time.