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January 17, 2005

The Honorable George J. Keiser
Chairman, House Industry, Business and Labor Committee
North Dakota House of Representatives
422 Toronto Street
Bismarck, ND 58503-0276

Dear Chairman Keiser:

Thank you for this opportunity to express support for HB 1329, which enacts and amends sections of the North Dakota Century Code relating to the regulation of fire, property, and casualty insurance rate and rate filings. NAMIC is a full-service international trade association with more than 1,350 member companies underwriting 41 percent (\$170 billion) of the property/casualty insurance premium in the United States. In North Dakota, NAMIC members (including 16 domiciled companies) underwrite 36.5 percent (\$433 million) of the direct written premium in the state. NAMIC membership includes four of the seven largest property/casualty carriers, every size regional and national property/casualty insurer and hundreds of farm mutual insurance companies.

NAMIC member companies strongly support a "modernized" system of state insurance regulation and believe that the rate and rate filing changes called for in HB 1329 will be of great benefit to North Dakota insurance markets. Furthermore, enactment of HB 1329 would send a strong message to Congress that states can improve and modernize the state system of insurance regulation. NAMIC supports HB 1329, which is based substantially on the National Conference of Insurance Legislators (NCOIL) Property/Casualty Insurance Modernization Act, because it calls for the elimination of prior approval of rate and rate filing standards for fire, property, casualty and commercial lines of insurance. Following enactment, for personal lines, the bill requires all rates and supplementary rate information to be filed with the commissioner no later than thirty days before the effective date of the rate. After August 1, 2007, assuming the commissioner has filed a report with the legislative council, insurers will be required to file all personal lines rate and supplementary rate information with the commissioner no later than thirty days after the effective date of the rate. For commercial lines of insurance, rates need not be filed. The bill also grants authority to the commissioner to determine that a reasonable degree of competition does not exist within a market and provides authority to impose prior approval rate and rate filing standards on that market.

NAMIC's number one public policy priority is the preservation of state regulation of insurance through the adoption of regulatory "modernization" laws. Adoption of regulatory "modernization" laws benefits consumers with respect to price and availability. The elements of a modernized system of regulation include: a use-and-file system for personal lines; a no-file system for commercial lines; continued regulator authority to monitor market competition; and due process for consumers and the insurance industry. NAMIC is also a strong proponent of reformed market conduct and financial solvency regulation to create a safety net for consumers

against haphazard business practices. Our ultimate goal is to achieve a proper balance of regulatory focus. To that end, we are, as you know, working in partnership with the National Conference of Insurance Legislators (NCOIL), the National Conference of State Legislators (NCSL) and our other industry colleagues to secure passage of regulatory “modernization” laws in as many states as possible.

Insurance is an industry where less government control has been tested and found to be successful. For example, in 1969, the State of Illinois repealed prior approval and adopted a use-and-file system of rate regulation for personal lines of insurance, a system that is still in effect today. Several signs demonstrate this system works well and benefits consumers. Illinois consumers enjoy stable rates, ranking in the middle of all states in average expenditures for insurance. Also, Illinois has a low residual market indicating affordability and availability of insurance products. As a second example, consider the State of South Carolina. In 1996 only 78 insurers offered auto insurance policies in the state and 40 percent of all insured drivers were in the assigned risk pool. With the elimination of prior approval in 1999, 105 new companies have entered the market, rates are lower and residual market participants, once numbering over one million, have declined to 58,000.

Progress does not stop with Illinois and South Carolina. Over the past two years, nine states have adopted some form of regulatory modernization. In 2003, modernizing legislation was adopted in Nebraska (commercial lines), New Hampshire (commercial lines), New Jersey (auto) and Louisiana (personal lines). In 2004, modernizing legislation was adopted in Massachusetts (commercial), Oklahoma (personal lines), Rhode Island (personal lines), South Carolina (homeowners) and South Dakota (personal and commercial lines). Currently, 18 states observe prior approval, 23 states observe file-and-use and 9 states observe use-and-file systems of rate regulation.

Thank you for your leadership on this critical public policy issue and thank you for this opportunity to express support for HB 1329.

If you have questions or need further information, please feel free to contact me at (317) 875-5250 or via e-mail at jthesing@namic.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Thesing". The signature is fluid and cursive, with a large loop at the end of the last name.

Joe Thesing
State Affairs Manager
Central Region