

TESTIMONY OF STACY BERGENDAHL
SENIOR STAFF ATTORNEY
BUREAU OF INSURANCE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
In support of L.D. 1837
An Act to Amend the Laws Affecting Insurance
Presented by Senator Bailey
Before the Joint Standing Committee on Health Coverage,
Insurance & Financial Services
May 7, 2025 at 1:00pm

Senator Bailey, Representative Mathieson, and members of the Committee, I am Stacy Bergendahl, Senior Staff Attorney at the Bureau of Insurance. I am here today to testify in favor of LD 1837, a department bill to amend various parts of the Insurance Code. Our thanks to Senator Bailey for sponsoring the bill.

Overall, the legislation would update the Insurance Code to correct errors and omissions, bring the Code into compliance with federal rules and accreditation requirements of the National Association of Insurance Commissioners (NAIC), and reduce certain filing requirements.

Section 1 extends the prohibition on cost-sharing for breast screening to Community Health Options, which was inadvertently omitted from the scope of the original legislation.

Sections 2 and 3 update the civil penalty provisions of the Insurance Holding Company Act and eliminate a fine specified in 1975, in accordance with NAIC language and at the request of the NAIC for accreditation purposes.

Sections 4 through 6 add voting securities language based on Section 10 of NAIC Model 440, to conform to NAIC accreditation requirements. The change means that if the company has transferred voting shares without going through the Form A approval process, the shares that have been unlawfully transferred or encumbered can't be voted or counted toward a quorum. The Form A process is the standard process used to alert regulators to a proposed change in control of an insurance company. The last sentence of the new language in Section 6 provides a no-harm-no-foul exception in cases where the shares have already been voted before the courts have had a chance to issue an injunction or a temporary restraining order, provided that the action would not have a material effect on control.

Section 7 eliminates the wet signature requirement for statutory financial statements in conformity with NAIC best practices.

Sections 8 through 10 eliminate the \$100 annual report filing fee for self-insurers and incorporate it into the existing renewal fee. This fee was administratively burdensome, and the change makes the process easier for carriers and the Bureau.

Sections 11 through 27 make changes to conform to recent updates to NAIC Model 870. Most of these sections are language edits, such as changing "unauthorized" to "nonadmitted" and "broker" to "producer." Sections 12 and 13

prohibit the use of the surplus lines market to issue workers' compensation policies, to conform with the requirements of the Workers' Compensation Act. Section 19 eliminates a provision requiring surplus lines insurers to establish satisfactory evidence of good repute and financial integrity to more closely align with 2023 revisions to NAIC Model 870, Section 5, and with applicable provisions of federal law. Section 22 updates the notice on surplus lines contracts and adds a notice to applications for surplus lines insurance to more closely align with 2023 revisions to NAIC Model 870, Section 5. Section 23 clarifies an ambiguity regarding the application of the Property Insurance Cancellation Control Act that was pointed out in the Law Court's *Corinth Pellets* decision.

Section 28 conforms the section heading of section 2159-A to the substance of the section.

Section 29 clarifies the requirements for Insurance Data Security Act compliance when third-party contractors enter into subcontracting arrangements.

Section 30 repeals a reference to the "insurability" of an employer group which has been obsolete since 2014, when guaranteed issue was extended to large employers.

Section 31 allows for a raw number instead of a percentage in reporting enrollee and carrier disenrollments because the carriers do not have the information on out-of-network providers that is necessary to calculate the denominator.

Section 32 creates confidentiality for the independent dispute resolution process in the same manner as for external review.

Sections 33 and 34 correct typos.

Sections 35 through 40 make changes to the property and casualty guaranty fund act to conform to recent updates to NAIC Model 540, clarifying that guaranty fund protection for existing policies remains in place after various types of restructuring transactions.

Thank you, I would be glad to answer any questions now or at the work session.