

1999 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1103

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1103

House Industry, Business and Labor Committee

Conference Committee

Hearing Date January 12, 1999

Tape Number	Side A	Side B	Meter #
1	x		45.7-end
1		x	0-4.3
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes:

1A: 45.7 CHAIRMAN BERG called the hearing for HB 1103 to order.

1A: 46.4 GARY PRESZLER, Commissioner of the Department of Banks and Financial Institutions, testified in support of the bill. (See attached testimony.)

1A: 53.6 REP. KEISER asked what kind of equity position the owners have when a trust company is chartered. Mr. Preszler responded that the charter has not required fidelity bond coverage but they do typically provide it.

1B: 1.1 COURTNEY KOEBELE, Independent Community Banks, testified in support of the bill. (See attached testimony.)

1B: 1.3 MARILYN FOSS, ND Bankers Association, testified in support of the bill.

1B: 1.9 There was a brief discussion on the purpose and necessity of Line 8 in the bill.

CHAIRMAN BERG adjourned the hearing on HB 1103.

2A: ACTION ON BILL Rep. Klein made a motion for a DO PASS. The motion was seconded by Rep. Ekstrom. A roll call vote was taken. The bill passed and will be carried to the floor by Rep. Ekstrom.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1103 1-12-99

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1-12-99

Tape Number	Side A	Side B	Meter #
2	x		2695 - 3020
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes: Chairman Berg opened the discussion of HB 1103.

Rep. Ekstrom: The committee should understand that these banks already have these bonds, so this would purely take care of the situation where a new one would be chartered and would make the requirements. This is more for consumer protection.

Rep. Klein made a motion for a Do Pass.

Rep. Ekstrom second the motion.

The roll call vote was 12 yea, 2 nay, 1 absent.

The motion carries.

Rep. Ekstrom will carry the bill.

Date: 1-12-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1103

House Industry, Business and Labor Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken do pass

Motion Made By Klein Seconded By EKstrom

Representatives	Yes	No	Representatives	Yes	No
Chair - Berg	/		Rep. Thorpe		
Vice Chair - Kempenich		/			
Rep. Brekke	/				
Rep. Eckstrom	/				
Rep. Froseth	/				
Rep. Glasheim	/				
Rep. Johnson	/				
Rep. Keiser	/				
Rep. Klein	/				
Rep. Koppang	/				
Rep. Lemieux		/			
Rep. Martinson	/				
Rep. Severson	/				
Rep. Stefonowicz	/				

Total (Yes) ~~12~~ 12 No 2

Absent 1

Floor Assignment EKstrom

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

REPORT OF STANDING COMMITTEE (410)
January 12, 1999 4:49 p.m.

Module No: HR-06-0518
Carrier: Ekstrom
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1103: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **DO PASS** (12 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1103 was placed on the Eleventh order on the calendar.

1999 SENATE INDUSTRY, BUSINESS AND LABOR
HB 1103

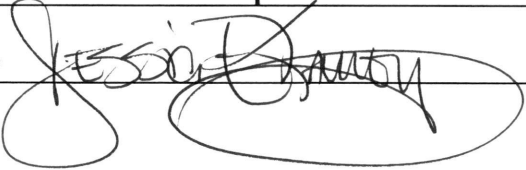
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1103

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date February 9, 1999

Tape Number	Side A	Side B	Meter #
1	x	x	4160-end, 0-415
Committee Clerk Signature 			

Minutes:

Senator Mutch opened the hearing on HB1103. All senators were present.

Gary Preszler testified in support of HB1103. His testimony is included. Senator Mutch asked if this would apply to a trust company. Mr. Preszler said that yes it does.

Joel Gilbertson, Independent Banks of North Dakota, testified in support of HB1103.

Senator Mutch closed the hearing on HB1103.

Senator Krebsbach motioned for a do pass committee recommendation on HB1103. Senator Mathern seconded her motion. The motion carried with a 6-0-1 vote.

Senator Mathern will carry the bill.

SR302992

Date: 2/7/99 30
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
~~HOUSE~~ BILL/RESOLUTION NO. 1103

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By KREBSBACH Seconded By MATHELN

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Sand	X				
Senator Krebsbach	X				
Senator Klein	X				
Senator Mathern	X				
Senator Heitkamp	X				
Senator Thompson					

Total (Yes) 6 No 0

Absent 1

Floor Assignment MATHELN

REPORT OF STANDING COMMITTEE (410)
February 15, 1999 1:53 p.m.

Module No: SR-30-2992
Carrier: D. Mathern
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1103: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1103 was placed on the Fourteenth order on the calendar.

1999 TESTIMONY

HB 1103

TESTIMONY FOR HOUSE BILL NO. 1103

House Industry, Business, and Labor Committee

Testimony of Gary D. Preszler, Commissioner, Department of Banking and Financial Institutions in support of House Bill No. 1103.

House Bill No. 1103 sets forth the requirement that trust companies chartered under Chapter 6-05 must maintain fidelity bond coverage on officers and employees.

Presently, there are four active state trust companies in North Dakota. These trust companies are independent and not associated with a bank. House Bill No. 1103 does not apply to banks providing trust services as an expansion of bank powers as those trust activities are covered under the bank's fidelity bond coverage.

House Bill No. 1103 mirrors the Board requirements for officers and employees of state-chartered banks under Section 6-03-71.

Trust companies chartered under Chapter 6-05 do not have FDIC deposit insurance coverage and my concern is to avoid or minimize loss to trust account holders in the event of insolvency. Maintaining fidelity bond coverage in cases of insider wrongdoing provides for potential claims against the bond serves this purpose.

Presently, trust companies must also provide a surety deposit of not less than fifty thousand dollars and up to five hundred thousand dollars in favor of the State of North Dakota. The size of the surety deposit is based upon the trust company's capital and determination by the Commissioner for an increased amount through examination. Although the surety deposit provides some protection for potential claims, it is of little help in the receivership estate as the assets used to pledge to meet the surety deposit requirement would be unavailable for other creditor claims.

All four North Dakota independent trust companies presently maintain either a fidelity bond separately or under an umbrella policy carried by an affiliate. The Department's recent examinations of the trust companies indicate that all four are maintaining adequate coverage. Therefore, there would be no additional premium costs for the four North Dakota trust companies to comply with House Bill No. 1103 upon enactment.

The Department stands in support of House Bill No. 1103 and requests a favorable "Do Pass" from the Committee.

January 12, 1999

HOUSE INDUSTRY, BUSINESS & LABOR COMMITTEE
HB 1103

CHAIRMAN BERG AND COMMITTEE MEMBERS:

My name is Courtney Koebele. I'm appearing today on behalf of The Independent Community Banks of North Dakota. We SUPPORT **HB 1103** and respectfully urge that you give it a do pass.

This bill would impose the same fidelity bond requirements on state chartered trust companies that are now required for banks in the state. We believe this is not only fair, but will also offer the public greater protections.

We respectfully request your **DO PASS**. If you have any questions, I'll be happy to answer them. THANK YOU FOR YOUR TIME AND CONSIDERATION.

TESTIMONY FOR HOUSE BILL NO. 1103

Senate Industry, Business, and Labor Committee

Testimony of Gary D. Preszler, Commissioner, Department of Banking and Financial Institutions in support of House Bill No. 1103.

House Bill No. 1103 sets forth the requirement that trust companies chartered under Chapter 6-05 must maintain fidelity bond coverage on officers and employees.

Presently, there are four active state trust companies in North Dakota. These trust companies are independent and not associated with a bank. House Bill No. 1103 does not apply to banks providing trust services as an expansion of bank powers as those trust activities are covered under the bank's fidelity bond coverage.

House Bill No. 1103 mirrors the State Banking Board requirements for officers and employees of state-chartered banks under Section 6-03-71.

Trust companies chartered under Chapter 6-05 do not have FDIC deposit insurance coverage and my concern is to avoid or minimize loss to trust account holders in the event of insolvency. Maintaining fidelity bond coverage in cases of insider wrongdoing provides for potential claims against the bond serves this purpose.

Presently, trust companies must also provide a surety deposit of not less than fifty thousand dollars and up to five hundred thousand dollars in favor of the State of North Dakota. The size of the surety deposit is based upon the trust company's capital and determination by the Commissioner for an increased amount through examination. Although the surety deposit provides some protection for potential claims, it is of little help in the receivership estate as the assets used to pledge to meet the surety deposit requirement would be unavailable for other creditor claims.

All four North Dakota independent trust companies presently maintain either a fidelity bond separately or under an umbrella policy carried by an affiliate. The Department's recent examinations of the trust companies indicate that all four are maintaining adequate coverage. Therefore, there would be no additional premium costs for the four North Dakota trust companies to comply with House Bill No. 1103 upon enactment.

The Department stands in support of House Bill No. 1103 and requests a favorable "Do Pass" from the Committee.