

April 21, 2025

Dear Chair Marty and Finance Committee Members:

Thank you to Chair Klein, Minority Lead Dahms, and the rest of the Commerce Committee members for the effort that went into SF 2216. With a challenging budget forecast and significant uncertainty at the Federal level, the Department of Commerce appreciates the need for tough choices and limited spending.

We appreciate the inclusion of an operating adjustment for the Department of Commerce. This is an essential investment in good governance that will fund much needed improvements to our IT infrastructure, as well as resources that will help to absorb increasing staffing costs.

SF 2216 also includes two other priorities for Governor Walz and the Department of Commerce. As of early 2025, Minnesotans had nearly \$12 billion invested through the various licensees overseen by our securities unit. Without a well-resourced primary regulator, consumers are susceptible to harm due to lack of accountability, oversight or enforcement of required safeguards. SF 2216 helps provide these protections by bringing Minnesota's broker dealer agent transfer fees into alignment with other states and will allow us to hire two auditors to improve oversight of Minnesotans' assets invested through broker dealers.

Consumers across the country reported losing more money to investment scams—\$5.7 billion—than any other category in 2024. That amount represents a 24% increase over 2023. Without the capacity to provide oversight and accountability, consumers are more susceptible to fraud or inappropriate administration of their assets by registrants. The Department hopes that the Senate will consider the full securities staffing package in the Governor's budget.

As more Minnesotans drive electric vehicles, we must ensure that consumers are getting what they pay for. The EV charging fee in SF 2216 will allow the Department's Weights and Measures team to test and inspect Electric Vehicle Supply Equipment (EVSE) on a routine basis. We thank the committee for including this investment.

The Department of Commerce appreciates that SF 2216 also includes much needed policy updates, including must-pass legislation that is necessary to maintain our insurance financial review accreditation through the National Association of Insurance Commissioners (NAIC). **We support the following policy items in the bill:**

- **Group Capital and Liquidity:** Must pass NAIC model laws on Group Capital Calculation and Liquidity Stress Testing requirements. These requirements provide additional metrics and

transparency for the Department of Commerce to assess run-on-the-bank risk and solvency conditions for Minnesota companies. The changes must be adopted by 1/1/2026 for Minnesota to meet NAIC accreditation standards. Almost all other states have already adopted these changes to their insurance regulations. Adding them to Minnesota Statutes would ensure that we maintain strong insurance solvency requirements on par with other jurisdictions.

- **Mortgage Indexing:** Replaces a defunct benchmark index that the Department uses to calculate maximum interest rates for second lien mortgage related products.
- **Medicare Supplemental:** Given the risks of adverse selection in this market due to policy changes in 2023, the Department proposes creating a 10% penalty for those who enroll in a Medicare Supplemental plan outside of the initial enrollment period. This preserves the ability for Minnesotans to still have access to Medicare Supplement plans regardless of their health status while still maintaining more stability in the market, and lower rate increases.
- **NAIC model law on Limited Long-Term Care Model:** This is an NAIC model law that would allow companies to be able to sell long-term care policies that provide coverage for a shorter period of time and with fewer benefits than traditional long term care insurance products. These new products are significantly less expensive than traditional long term care insurance policies.
- **Data Calls:** This proposal would allow Commerce, when issuing data calls, to protect the proprietary or trade secret data by treating it as nonpublic. Thank you to our industry partners for collaborating with us on this language.
- **SF 2224:** We appreciate the inclusion of this policy language which was developed with key community partners to ensure a robust set of consumer protections if and when a community transitions away from the legacy, copper-based telecom service.

Policy Provisions with Department Concerns

- **Guaranteed Renewability:** We prefer the stronger consumer protections in the Departments Policy Bill, which allows for health plans to discontinue individual health plans once the Department has confirmed it is in the best interest of Minnesotans.

Thank you to Chair Klein and the Commerce Committee for the work that went into the Senate Commerce Omnibus Budget Bill. We look forward to collaborating with you on the policy and budget items in SF 2216.

Sincerely,



Grace Arnold
Commissioner