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# **Market Conduct Examination Legislative Report**

Minn. Stat. § 60A.033, subd. 12

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# Minnesota Department of Commerce

## Mission

For more than 150 years, the Minnesota Department of Commerce and its predecessor agencies have served Minnesotans. Our mission is to protect and assist consumers; ensure a strong, competitive, and fair marketplace; and engage people and communities across the state.

### Our Strategic Priorities

- Protect the public interest through consumer protection, consumer education, assistance to consumers, safety, health and financial security, and lowering inequities.
- Serve as a trusted public resource for consumers and businesses by listening and learning from the Minnesotans Commerce serves, being effective stewards of public resources, advocating for Minnesota consumers and developing a policy, programmatic, and regulatory environment that meets their needs.
- Reduce economic barriers within Commerce regulatory oversight and reduce disparities within those of all races, ethnicities, religions, economic statuses, gender identities, sexual orientations, (dis)abilities, and zip codes.
- Ensure all, especially historically disadvantaged Minnesotans, are resilient to Minnesota's climate and engaged in advancing efforts to mitigate climate change.
- Ensure a strong, competitive, and fair marketplace for Minnesotans.

## Introduction

Market conduct exams are a tool in ensuring a strong, fair, and competitive marketplace. Minnesota is home to the tenth largest insurance market in the country with approximately 1,550 licensed insurance companies in the state that write approximately \$50 billion in premiums. Market Conduct exams perform an important function in this large industry and are conducted to ensure equitable treatment of policyholders, fair competition for companies and ensure compliances with applicable statutes and regulations.

Market conduct exams take a focused look at an insurance company’s operations and can include any or all of the following review: an insurance company’s operations/management, complaint handling, marketing and sales, advertising materials, licensing, policyholder service, underwriting and rating, nonforfeitures, policy rate and form filings, claim handling and other state-specific requirements.

Pursuant to Minnesota Statutes § 60A.033, subdivision 12, the Minnesota Department of Commerce submits its first annual market conduct report to the legislature, including: (1) a listing of the number of pending market conduct exams and the year the exams were commenced; (2) the number of exams closed during the prior year and the current total of costs charged to the companies for each exam; (3) whether the exam is being conducted, in whole or in part, by third-party examiners; and (4) other information that the chairs or ranking minority members may reasonably request, subject to the limitations of section 60A.031, subdivision 4, paragraph (f).

## Current Pending Market Conduct Examinations

Exam Start Date	2016	2017	2018	2019	2021	2022	Total
Pending/Active			2	2	2	1	7 <sup>1</sup>
Inactive/Referred <sup>2</sup>				1			1 <sup>3</sup>
Inactive/ Suspended <sup>4</sup>		1					1
Pending/Monitoring <sup>5</sup>	1		2	1	1		5 <sup>6</sup>
<b>Total</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>14</b>

<sup>1</sup> Three of these exams are multi-state exams being conducted in conjunction with other states.

<sup>2</sup> Exam activity complete; case referred to the Attorney General’s Office.

<sup>3</sup> This exam is a multi-state exam.

<sup>4</sup> Exam activity complete; case in settlement discussions.

<sup>5</sup> Exam activity complete; in monitoring phase per Corrective Action Plans.

<sup>6</sup> Two of these exams are multi-state exams being conducted in conjunction with other states.

## Market Conduct Examinations Closed in 2022

Closed Exam	Closed Exam Charges to Insurance Company
Exam No. 2820	\$822,305.64
Exam No. 3618	\$658,456.64
Exam No. 3619	\$830,861.50
Exam No. 3746	\$427,562.30
Exam No. 3747	\$296,086.88
<b>Total</b>	<b>\$3,035,272.96</b>

## Third-Party Examiner Involvement in Pending Market Conduct Exams

Of the 14 exams pending as of December 31, 2022, all are, or have been conducted, in part, by third-party examiners under the supervision of Department staff.

\*Pursuant to Minnesota Statutes § 3.197, this report cost approximately \$2,079.00 to prepare, including staff time.