

LeVander

I 6 70

1967 (1)

Governor. LeVander, Harold.

GOVERNOR'S SPECIAL MESSAGE

on

INSURANCE.

3 1967(?)

4 1967

GOVERNOR'S SPECIAL MESSAGE

on

INSURANCE

Members of the Senate, Members of the House of Representatives,
Chairman and Members of the Senate Commerce Committee, and Chairman and
members of the Insurance Committee of the House,

Insurance has always been a state regulated business. Insurance in
our state has not always been properly regulated. Minnesota citizens and
Minnesota policy holders have suffered great losses through inept and
incompetent management. Because of what has happened in Minnesota and
other states, Congress and various federal government agencies are now seeking
federal regulation in order to protect the public. If regulation of insurance is to
continue at the state level, we must immediately take steps to provide adequate
administration and adequate regulation. The time has come when we must
assume our responsibilities to straighten out our insurance affairs in Minnesota.
This must be done on both the Executive and Legislative levels. Some of the
areas are my responsibility and some belong to the Legislature. I will assume
the responsibilities that I, as Governor, can act on administratively. I am
asking you, in this message, to assume your portion of the responsibility in
protecting the public through the means of much needed additional legislation.

The areas that fall under my responsibility are:

First, to appoint a Commissioner of Insurance of professional competence
with a knowledgeable background in insurance and with an impeccable reputation
for integrity. This I have done through the appointment of L. Edwin Wang, C.L.U.,

as Acting Commissioner of Insurance. Mr. Wang has many years of insurance experience and is a man of outstanding ability and integrity.

I am recommending for passage a bill that would make the Commissioner's term concurrent with the Governor's term. In this manner, the Insurance Commissioner will be responsible to the Governor in office and will be a man appointed by him.

To further improve effective administration, I recommend the appointment of a Commissioner of Commerce who will report directly to the Governor and, in turn, will have supervisory authority over the Insurance, Banking, and Security Departments.

Second, the Insurance Department should be provided with a fully qualified staff, adequate in size and fairly compensated to properly administer the insurance laws and the regulations of the Department. In carrying out this obligation, I am happy to report that the Attorney General has appointed a full-time Assistant Attorney General assigned to the Department of Insurance. This should provide much needed legal advice and counsel to the Department. In my Budget Message, I allowed for all of the staff increases requested by the Department. I would recommend that the Subcommittee on Department Appropriations review and re-evaluate the Insurance Department's request for a staff with the new Acting Commissioner of Insurance. If additional staff over and above what was originally requested is required for effective regulation, I recommend they be allowed because it can be done without any increased burden

to the taxpayers since I further am recommending that examination and license fees be increased. It has been claimed that staff positions which have previously been allowed have not been filled because of the compensation level. I have recommended in my Budget Message the Civil Service Pay Plan with certain important qualifications in the Administration's Pay Plan Bill which you have before you. With the adoption of the increased pay plan, all staff positions allowed shall be able to be filled.

Third, the Department of Insurance should be given the funds necessary to administer adequately its responsibilities to the public. Our budget in Minnesota in the past has been about one-half of the national average given to insurance departments to administer their responsibilities. Minnesota is 19th out of 50 states in the amount of premium taxes and fees collected. We are 28th out of 50 in the dollar amount spent for the insurance department. We are 44th out of the 50 states in the percentage of funds collected for taxes and fees in relation to the amount of money spent for the Insurance Department. We are in the low 10 states in the number of employees employed in comparison to the 50 states. In my Budget Message I approved substantially the entire request of the Department. I believe that it is important that an adequate budget be given to the Insurance Department to administer its grave responsibilities to the public. I believe that agents and companies are perfectly willing that fees and licenses be increased so that this regulation and supervision can be effected without imposing a tax burden.

Fourth, the Insurance Department should adopt a vigilant attitude and

continued study of sales gimmicks and the insurance buying public should be protected from certain types of gimmicks and devices. In this regard, in my Budget Message and in the Attorney General's recommendations for the Insurance Department, field investigators are requested. To date we have had none. At least two, and possibly four, are called for. Primarily, they would investigate improper sales devices and gimmicks that are misleading to the buying public. Further, we have some 25,000 agents in the state and I feel it necessary that the investigators check into any serious complaints made by the public as far as insurance agent's activities may be concerned.

Allow me now to turn to the responsibilities that belong to the Legislature.

First, the law should be amended to allow maximum utilization of independent certified audits. H. F. 350 has been introduced to accomplish this. We have over 1,000 companies licensed to do business in Minnesota and have nowhere near a sufficient number of qualified examiners to make the examinations required by law. Even though we have requested additional examiners, the period of training is such that these men cannot be put into the field to make examinations without a considerable period of advance training. I therefore feel that we can and should supplement our examining staff by the use of independent certified accountants.

Second, taxes and fees paid by companies and agents should be equitable and not discriminatory among companies. In this regard, I am recommending a bill increasing fees for the examination of agents and also a bill relating to

Section 60.09 in regard to the fees paid by companies for examinations and certain other filings and H. F. 515, which would equalize the license fees of domestic and foreign insurance company agents. This would provide additional funds to improve the effectiveness of the Department's supervision.

Third, capital and surplus of all companies should be related to current underwriting risks and reserves of the companies in order to protect the policy holders and the public. You have already received H. F. 595 relating to the improvement of the capital and surplus requirements of insurance companies. I feel that legislation in this area, whether through this bill or the bill drafted by the Attorney General, is vital if we are to improve the financial security of the companies operating within the State.

Fourth, professionalism should be encouraged in agents and agents' license qualifications and training should be directed towards better service to the citizens of our state. H. F. 515, mentioned previously, requires a ten-hour study course before an applicant could take the insurance license examination. While I realize that many companies have training courses available to their agents, and while there are courses put on by the industry itself through the medium of the Life Underwriter Training Council, the American College of Life Underwriters, and the C.P.C.U. Course for Casualty Agents, not all agents avail themselves of these opportunities to further their knowledge of the insurance business and I feel that a ten-hour study course is a very minimum requirement necessary before these persons can work with any

competence in handling the insurance matters of the citizens of Minnesota.

Fifth, in addition to the legislative recommendations above stated, the Attorney General has furnished me a memorandum outlining the proposals that he strongly recommends be adopted at this Session in order to improve the insurance laws, enable better administration, give consumer protection and restore public confidence. He has reduced his recommendations into bill form, most of which have been introduced. The few remaining will be submitted for your consideration soon. The memorandum explaining the need, the rationale and the justification for the adoption of these recommendations is attached hereto as a part of this message. I urge your careful examination of this memorandum and earnestly submit that it is imperative that favorable action be given on these bills to effectuate the recommendations.

I believe that the actions I have taken in my capacity as Chief Executive and the legislative measures that I have recommended to you are together the very minimum we in Minnesota can do at this time to begin to provide the very best protection possible for our citizens. After witnessing the tragedy caused by the collapse of some of Minnesota's insurance industries in the past few years and the resultant hardships placed permanently on thousands of our citizens, I am sure that the members of the Insurance industry have as strong a desire as State Officials and Legislators to ensure corrective measures are taken.

I am firmly convinced that the continuance of supervisory powers in the hands of the State without usurpation of regulatory authority by the Federal Government is almost solely dependent upon the extent to which our Insurance

Department effectively exercises supervision and control. If it is to do this, it is obvious that the Department must have competent and adequate personnel, sufficient funds and adequate statutory authority. With the Executive and Legislative branches both carrying out their responsibility, and with the support of the industry, we can give to Minnesota citizens the protection they can expect and the confidence which they should have in their State Government.