Insurance & Regulatory Update: Minnesota's Department of Commerce in the News

July 08, 2011 by David M. Aafedt

Although the Minnesota Department of Commerce's windows are shuttered (hopefully not too much longer) while the Governor and the Republican-controlled Legislature continue to butt heads while working to hammer out a budget deal for the next biennium, it doesn't mean that the Minnesota Department of Commerce and its regulation of insurance has not been in the news.

The first mention was the successful conclusion to a case that has been in the works for a number of years. On Wednesday, Trent Jonas, the co-owner of a couple of Twin Cities title insurance agencies (Title Source and Zen Title), was sentenced to two years in federal prison for committing $5.3 million in fraud relating to real estate and title insurance transactions. Jonas was also order to pay Ticor Title Insurance (a subsidiary of Fidelity National Title Group) $4.1 million in restitution.

The Minnesota Department of Commerce investigated Jonas and his title agencies years ago and took enforcement action against them before handing the matter off to the federal government for criminal proceedings. In 2008, the Minnesota Department of Commerce revoked the licenses of both title agencies that Jonas owned (Zen Title and TitleSource) and assessed each agency a civil penalty of $2 million.

The second mention regarding the regulation of insurance in Minnesota was the Heartland Institute's 2011 Property and Casualty Insurance Report Card. As it has in each of the past four years, the Heartland Institute conducted a state-by-state analysis of the regulatory burden placed on insurers and consumers participating in the Property and Casualty Market, taking into consideration the following factors:

- **the politicization of the office** (some state insurance commissioners (e.g., California, Georgia, etc.) are elected while others, like Minnesota's Commerce Commissioner, are appointed by the Governor)
- **regulatory clarity** (how clear are the rules governing regulatory filings)
- the **breadth/scope of the Residual Auto and Homeowners' Insurance Markets** (the study gave higher grades to states where there were smaller residual markets and where market forces were allowed to dominate)
- **market concentration** (better grades were given to those states where there is greater competition and consumer choice)

- **rate regulation/regulatory environment** (states where regulators allow rates to be more purely "risk" based, as compared with subsidizing other classes or groups, received higher grades)
- **credit scoring** (states received higher grades if they allow credit scores to be used in rate setting)
- and **territorial rating** (higher grades are given if more risk and higher rates are charged if property or vehicles are located in riskier areas, e.g., houses built on sand dunes).

Overall, Minnesota received a slightly above-average grade of C+, while finishing just below average—in 27th place. Generally speaking, Minnesota received "average" scores in each of the above-referenced categories, with a slightly "below average" score in the rate regulation/regulatory environment category. Minnesota's neighbors, Wisconsin, North Dakota, South Dakota and Iowa finished in 5th, 7th, 17th, and 24th place, respectively. Looks like we have some catching up to do.

The States of Vermont, Ohio and Illinois finished in 1st, 2nd and 3rd place, respectively, with overall grades of A+ or A, while Florida, California, Texas and Hawaii finished in the last four spots (47th-50th) with an overall grade of F.