

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
INSURANCE DIVISION

In the matter of the proposed
rules relating to regulations
of proxies, consents and
authorizations

STATEMENT OF NEED AND
REASONABLENESS OF PRO-
POSED RULES

STATEMENT OF NEED AND AUTHORITY

Chapter 60A of the Minnesota Statutes provides statutory authority empowering the Commissioner to make rules and regulations concerning the regulation of proxies, consents and authorizations which authority is set forth in Minnesota Statutes § 60A.22, subd. 5.

Minnesota's proxy regulations are based on the National Association of Insurance Commissioners (NAIC) model proxy regulation which was first developed in 1964 and amended in 1970. Both the model proxy regulation and Minnesota's proxy regulations contain many of the provisions contained in the Securities and Exchange Commission's regulations for solicitation of proxies.

Minnesota's stock insurance companies, if publicly owned, would be subject to the SEC proxy regulations were it not for an exemption for publicly owned stock insurance companies if they are subject to state proxy regulations that are in substance similar to the SEC's proxy regulations. Since 1970, the amount and type of information provided by corporations to their shareholders has expanded both voluntarily and because of changes in the SEC's proxy regulations. Minnesota's current proxy regulations require substantially less information to be provided by Minnesota stock insurers to their shareholders than is commonly being provided and required by the SEC. This could cause the Minnesota Commissioner to lose sole jurisdiction of proxy solicitations by Minnesota companies and could result in Minnesota stock insurers being subjected to dual regulation, i.e. State and Federal.

Proposed MCAR § 1.9255 - MCAR § 1.9274 closely resemble the NAIC model regulation. If shareholders of publicly owned Minnesota insurance corporations are to have the benefits of the more up-to-date disclosure requirements incorporated therein, the proposed rules should be adopted.

FACTS ESTABLISHING REASONABLENESS

The proposed rule was developed, except for one or two minor differences required by Minnesota statutes, by an NAIC task force with input from the American Insurance Association, the American Council of Life Insurance, two major insurance trade associations, and a number of life and casualty companies.

The model regulation was adopted by the NAIC at its semi-annual meeting held in June 1980 at Denver, Colorado and the Insurance Federation of Minnesota, together with all of the four organizations mentioned above, support enactment of these rules as MCAR § 1.9255 - MCAR § 1.9274.

Dated

Jan 28 1982


Michael D. Markman
Commissioner of Insurance