

BANKING AND INSURANCE

DEPARTMENT OF BANKING AND INSURANCE OVERVIEW

The recommendation for the fiscal 2001 budget totals \$60.6 million in Direct State Services, representing an increase of \$1.2 million over the fiscal 2000 adjusted appropriation. Of this amount, \$138,000 has been added in support of banking examination functions, and \$232,000 for increased Office of Information Technology costs. Additionally, \$765,000 has been added for actuarial services to support automobile insurance reform which requires revising the current territorial rating plan. The Department will also receive an increase of \$114,000 for financial examinations of health maintenance organizations.

The Department of Banking and Insurance regulates the insurance and banking industries. The insurance related responsibilities of the Department include monitoring and regulation of the insurance industry; assurance of fair markets and rates for all authorized lines of insurance; monitoring of the real estate industry to ensure that professional standards are observed and maintained; and coordination and operation of programs to prevent insurance fraud and abuse. Fraud prevention investigator functions were shifted to the Department of Law Public Safety in fiscal 1999 in an effort to provide more effective prosecution of insurance fraud related cases.

The Division of Banking reviews and processes applications by depository institutions for new charters, branches, relocations, acquisitions, mergers, bulk sales, stock conversions, and auxiliary offices, and for licensing all consumer lenders. In addition, the Division examines each state-chartered bank to determine whether the bank is conducting its business in conformity with the laws of the State, thus ensuring the safety of its depositors, other creditors and the public while administering the Department's responsibilities under the federal Community Reinvestment Act.

SUMMARY OF APPROPRIATIONS BY FUND (thousands of dollars)

Year Ending June 30, 1999						Year Ending June 30, 2001		
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended		2000 Adjusted Approp.	Requested	Recom- mended
56,354	1,864	3,287	61,505	59,260	Direct State Services	59,326	60,575	60,575
56,354	1,864	3,287	61,505	59,260	Total General Fund	59,326	60,575	60,575
56,354	1,864	3,287	61,505	59,260	GRAND TOTAL	59,326	60,575	60,575

BANKING AND INSURANCE

SUMMARY OF APPROPRIATIONS BY PROGRAM (thousands of dollars)

Year Ending June 30, 1999					Year Ending June 30, 2001			
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended		2000 Adjusted Approp.	Requested	Recommended
					DIRECT STATE SERVICES - GENERAL FUND			
					Economic Regulation			
12,653	600	3,728	16,981	15,726	Licensing and Regulatory Affairs	13,954	14,318	14,318
3,935	---	-62	3,873	3,873	Actuarial Services	4,184	4,949	4,949
2,425	139	-47	2,517	2,389	Regulation of the Real Estate Industry	2,483	2,483	2,483
1,549	4	21	1,574	1,571	Public and Regulatory Services	1,549	1,549	1,549
1,742	31	-21	1,752	1,750	Unsatisfied Claims	1,742	1,742	1,742
26,490	182	171	26,843	26,843	Insurance Fraud Prevention	27,280	27,280	27,280
3,595	375	-763	3,207	2,817	Supervision and Examination of Financial Institutions	3,822	3,710	3,710
---	373	---	373	35	Pinelands Development Credit Bank Administration and Support Services	---	---	---
3,965	160	260	4,385	4,256		4,312	4,544	4,544
56,354	1,864	3,287	61,505	59,260	<i>Subtotal</i>	59,326	60,575	60,575
56,354	1,864	3,287	61,505	59,260	Subtotal Direct State Services - General Fund	59,326	60,575	60,575
56,354	1,864	3,287	61,505	59,260	TOTAL DIRECT STATE SERVICES	59,326	60,575	60,575
56,354	1,864	3,287	61,505	59,260	TOTAL APPROPRIATION	59,326	60,575	60,575

50. ECONOMIC PLANNING, DEVELOPMENT AND SECURITY

52. ECONOMIC REGULATION

OBJECTIVES

1. To assure the public of fair and equitable treatment by financial institutions.
2. To inform and educate the public concerning financial matters.
3. To protect the public from financial loss resulting from the failure of financial and consumer credit institutions.
4. To assure that fair and equitable insurance markets exist to provide full availability of reliable insurance coverage.
5. To improve the efficiency and responsiveness of the prior approval rate making process.
6. To protect the public from unlawful or unfair practices by insurance or real estate agents, brokers, solicitors and salespersons.
7. To provide research and legislative support for new or revised legislation and regulations which will insure equitable pricing and reasonable underwriting standards.
8. To examine, monitor and investigate the affairs of insurance companies authorized to do business in New Jersey.
9. To process claims files against the Unsatisfied Claim and Judgment Fund.
10. To aggressively combat insurance fraud through prevention, investigations and prosecution.

PROGRAM CLASSIFICATIONS

01. **Licensing and Regulatory Affairs.** Insurance companies, brokers, agents and solicitors are licensed to engage in the business of insurance in the State. Companies are examined periodically for solvency and compliance with statutes and regulations. In instances of serious financial problems or insolvency, domiciled firms may be placed under the Department's jurisdiction as the rehabilitator or liquidator. The Office of the Ombudsman investigates direct property-casualty claims settlements to determine the appropriate disposition of claims. As a result of complaints and investigations, the Department may fine licensees and suspend or revoke licenses.
Responsible for the chartering of commercial banks, savings banks, credit unions and savings and loan associations which operate in New Jersey. Responsible for investigating complaints against these institutions and/or licensees. Responsible for the licensing of all consumer credit lenders and vendors of credit as well as mortgage bankers and brokers. Processes applications of licensees and financial institutions with recommendations for their determination and performs the necessary statistical, economic and demographic research to determine the merits of these applications. Responsible for review and development of regulations.
02. **Actuarial Services.** Reviews insurance policies and other insurance forms relating to individual and group accident health, life, property and liability insurance; regulates compliance with the rating law for property and liability insurance; regulates public pension plans; verifies and analyzes liability calculations of domestic life and health insurers and participates with the Department of Health in regulating the financial aspects of health care facilities; and determines reasonableness of benefits provided in relation to premium charged.
03. **Regulation of the Real Estate Industry.** Assures that members of the industry comply with existing statutes and regulations; investigates and resolves complaints, conducts hearings involving violations and improper practices; registers and regulates out-of-State land sales through New Jersey brokers; inspects

brokers' offices; examines and licenses brokers and salespersons; and maintains a directory of licensees and publishes bulletins.

04. **Public and Regulatory Services.** Promulgates regulations and monitors proposed legislation and legal issues affecting the regulation of the insurance industry; serves as the consumer watchdog for the Department; publishes a newsletter and consumer booklets on various types of insurance; researches policy questions and investigates consumer issues; and investigates market conduct of insurance companies with regard to treatment of consumers.
05. **Unsatisfied Claims.** Pays eligible persons for hit-and-run injuries and for injuries and property damage caused by uninsured motorists. The Unsatisfied Claim and Judgment Fund Board processes claims against the Fund; makes justified payments; processes installment repayments required by settlement agreements and court orders; and secures debtor repayments to the Fund.
06. **Insurance Fraud Prevention.** Thoroughly and aggressively investigates allegations of insurance fraud in order to fully develop the facts and evidence of each case so the State can make a reasoned decision how best to address each case of insurance fraud whether by criminal prosecution, civil fraud enforcement, or administrative professional licensing enforcement. Activities of State and local law enforcement and regulatory agencies are coordinated to develop a statewide enforcement strategy addressing insurance fraud in its many forms; and serve as a liaison among state and local government and law enforcement agencies. Information is collected and analyzed about persons and entities engaging in insurance fraud related conduct in order to assist the prosecution in criminal, civil, or administrative forums. Fines are assessed with restitution made to insurance carriers.
07. **Supervision and Examination of Financial Institutions.** Responsible for the supervision and examination of state chartered commercial banks, savings banks, credit unions and savings and loan associations which operate in New Jersey. Responsible for the supervision and examination of consumer credit associations such as check cashers, check sellers, insurance premium finance companies, pawnbrokers, secondary mortgage loan companies and foreign money remitters. Ensures compliance with the mortgage loan discrimination statute. (C17:16F et seq.). Regulates, supervises and examines mortgage bankers and brokers operating (C17:11B-1 et seq.). Determines financial and legal compliance with all applicable statutes and regulations and takes appropriate legal and regulatory action to ensure compliance with existing statutes and regulations. Responsible for the examination of bank holding companies (C17:9A-1 et seq.) and savings and loan holding companies (C17:12B-281 et seq.).
08. **Pinelands Development Credit Bank.** Empowered to purchase and sell Pinelands development credits, in accordance with a program included in the Comprehensive Management Plan for the Pinelands. Provides a mechanism to facilitate both the preservation of the resources of this area and the accommodation of regional growth influences in an orderly fashion.
99. **Administration and Support Services.** Directs the activities of the Department and provides administrative and support services to all of the Department's program classifications and project activities. The Office of the Commissioner disseminates legislative and policy guidance to programs and project activities within the Department and coordinates all regulatory and legislative initiatives with the Legislature, Executive Branch and the financial community.

BANKING AND INSURANCE

EVALUATION DATA

	Actual FY 1998	Actual FY 1999	Revised FY 2000	Budget Estimate FY 2001
PROGRAM DATA				
Licensing and Regulatory Affairs				
Consumer Credit Associations				
Licenses Issued	6,362	6,134	6,200	6,300
Associations subject to examination	1,000	1,350	1,400	1,500
Examinations conducted	366	374	400	400
Consumer Complaints				
Received	2,096	2,432	2,100	2,100
Completed	1,962	2,095	2,100	2,100
Inquiries and Referrals	524	586	500	500
Insurance Licensing				
Licenses issued	24,188	25,502	25,000	25,000
Candidates examined	10,763	10,262	10,750	10,750
Number of Insurance Companies and Regulated Entities	1,811	1,832	1,850	1,975
Field financial exams	17	53	65	40
Office analysis of companies - exams	619	500	450	550
Insurance Consumer Complaints				
Received	13,363	10,080	11,000	11,500
Resolved	12,149	9,249	10,000	10,500
Inquiries Handled. (a)	---	5,107	5,500	5,500
Funds recovered on behalf of complainants	\$2,759,427	\$4,016,583	\$3,000,000	\$3,500,000
Actuarial Services				
Property and Casualty				
Commercial lines filings	2,402	2,483	2,500	2,575
Personal lines filings	578	785	800	835
Individual risk filings	39	34	42	45
Consent-to-rate filings	18	15	22	25
Authorization filings	135	128	150	160
Excess profits filings	64	62	65	68
Statistical filings	171	171	171	175
Surveys (b)	857	827	850	880
Record requests	494	363	400	450
Life and Health				
Policyforms - new	17,605	18,535	19,250	19,750
Policyforms - processed	17,605	18,535	19,250	19,750
Regulation of the Real Estate Industry				
Licensed brokers	16,899	16,799	17,000	17,000
Licensed salespersons	65,431	66,197	66,500	66,500
Candidates examined	8,505	8,312	8,200	8,500
Broker offices	532	549	550	575
Inspected	375	560	600	600
Complaints investigated	4,002	3,755	4,000	4,000
Licensed schools	55	53	60	60
Licensed Satellite Sites of School	96	52	70	70
Licensed instructors	180	170	180	190
Public and Regulatory Services				
OAL submissions	91	58	90	90
Booklets published	10	10	11	11
Newsletters published	12	14	14	14
Unsatisfied Claims				
Unsatisfied Claim and Judgment Fund				
Claim notices received	15,709	13,100	15,000	16,000
New and reopened claims in litigation	2,480	2,413	2,500	2,600
Number of collection payments received	7,732	8,475	10,140	12,000

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	Actual FY 1998	Actual FY 1999	Revised FY 2000	Budget Estimate FY 2001
Insurance Fraud Prevention				
Auto insurance audits	12	38	47	48
Health insurance audits	13	19	36	36
Civil penalties collected	\$2,732,749	\$762,050 ^(c)	\$1,900,000	\$2,200,000
Restitution of fraudulently obtained dollars	\$354,031	\$102,660 ^(c)	\$71,000	\$71,000
Type of cases investigated (%)				
Auto	84%	81%	80%	78%
Health	2%	2%	3%	4%
Workers' compensation	2%	2%	3%	4%
Homeowners	3%	2%	3%	3%
All other	9%	13%	11%	11%
New investigations referred	17,737	13,432	13,000	12,500
Pending investigations	9,826	6,511	6,000	6,000
Total investigations	27,563	19,943	19,000	18,500
Supervision and Examination of Financial Institutions				
State Chartered Institutions				
Banks and Savings and Loans	102	104	105	105
Examinations Conducted	46	48	50	54
Bank Holding Companies	41	47	45	44
Speciality Examinations	44	98	66	44
PERSONNEL DATA				
Affirmative Action Data				
Male Minority	41	37	40	40
Male Minority %	7.3%	7.8%	8.4%	7.2%
Female Minority	86	90	90	90
Female Minority %	15.3%	19.1%	19.0%	16.1%
Total Minority	127	127	130	130
Total Minority %	22.6%	26.9%	27.4%	23.3%
Position Data				
Filled Positions by Funding Source				
State Supported	558	468	470	553
All Other	4	4	4	5
Total Positions	562	472	474	558
Filled Positions by Program Class				
Licensing and Regulatory Affairs	181	194	195	220
Actuarial Services	57	61	61	75
Regulation of the Real Estate Industry	43	41	42	45
Public and Regulatory Services	23	21	27	27
Unsatisfied Claims	25	22	21	31
Insurance Fraud Prevention	134	46 ^(d)	36	39
Supervision and Examination of Financial Institutions	49	41	45	68
Administration and Support Services	50	46	47	53
Total Positions	562	472	474	558

Notes:

Actual payroll counts are reported for fiscal years 1998 and 1999 as of December and revised fiscal year 2000 as of September. The Budget Estimate for fiscal year 2001 reflects the number of positions funded.

(a) In fiscal 1998, inquiries not requiring an investigation were not monitored separately.

(b) Excludes Surplus Lines filings.

(c) Reflects transition of Insurance Fraud Prevention from Banking and Insurance to Law and Public Safety.

(d) Reflects the transfer of Insurance Fraud Prevention staff to the Department of Law and Public Safety, which are supported by a reimbursement of funds from the Department of Banking and Insurance.

BANKING AND INSURANCE

APPROPRIATIONS DATA (thousands of dollars)

Year Ending June 30, 1999					Year Ending June 30, 2001				
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended	Prog. Class.	2000 Adjusted Approp.	Requested	Recommended	
<u>DIRECT STATE SERVICES</u>									
Distribution by Fund and Program									
12,653	600	3,728	16,981	15,726	Licensing and Regulatory Affairs	01	13,954	14,318	14,318
3,935	---	-62	3,873	3,873	Actuarial Services	02	4,184	4,949	4,949
2,425	139	-47	2,517	2,389	Regulation of the Real Estate Industry	03	2,483	2,483	2,483
1,549	4	21	1,574	1,571	Public and Regulatory Services	04	1,549	1,549	1,549
1,742	31	-21	1,752	1,750	Unsatisfied Claims	05	1,742	1,742	1,742
26,490	182	171	26,843	26,843	Insurance Fraud Prevention	06	27,280	27,280	27,280
3,595	375	-763	3,207	2,817	Supervision and Examination of Financial Institutions	07	3,822	3,710	3,710
---	373	---	373	35	Pinelands Development Credit Bank	08	---	---	---
3,965	160	260	4,385	4,256	Administration and Support Services	99	4,312	4,544	4,544
56,354	1,864	3,287	61,505	59,260	Total Direct State Services		59,326^(a)	60,575	60,575
Distribution by Fund and Object									
23,824	---	2,056	25,880	25,741	Personal Services:				
					Salaries and Wages		26,801	27,218	27,218
23,824	---	2,056	25,880	25,741	Total Personal Services		26,801	27,218	27,218
346	---	107	453	417	Materials and Supplies		342	342	342
14,544	---	988	15,532	15,488	Services Other Than Personal		14,527	14,759	14,759
150	---	-54	96	95	Maintenance and Fixed Charges		138	138	138
					Special Purpose:				
---	255	---	407	---	Public Adjusters Licensing	01	---	---	---
776	152 ^R	---	776	100	Ombudsman Program	01	776	776	776
---	---	---	---	---	Actuarial Services	02	---	600	600
2,250	---	---	2,250	2,250	Additional Investigators - Insurance Fraud Prevention	06	2,250	2,250	2,250
4,500	---	---	13,990	13,990	Insurance Fraud Prosecution Services	06	14,018	14,018	14,018
9,490 ^S	125	---	---	---	Supervision and Examination of Financial Institutions	07	---	---	---
---	250 ^R	-120	255	---	Pinelands Development Credit Bank	08	---	---	---
---	373	---	373	35	Affirmative Action and Equal Employment Opportunity	99	30	30	30
30	---	---	30	14	Additions, Improvements and Equipment		444	444	444
444	709	310	1,463	1,130	Grand Total State Appropriation		59,326	60,575	60,575
56,354	1,864	3,287	61,505	59,260					
OTHER RELATED APPROPRIATIONS									
All Other Funds									
---	2,238	51	7,704	5,629	Licensing and Regulatory Affairs	01	37,316	37,316	37,316
---	5,415 ^R	---	---	---	Regulation of the Real Estate Industry	03	51	51	51
---	106	---	135	23	Supervision and Examination of Financial Institutions	07	250	250	250
---	29 ^R	---	---	---	Total All Other Funds		37,617	37,617	37,617
---	7,788	51	7,839	5,652	GRAND TOTAL ALL FUNDS		96,943	98,192	98,192
56,354	9,652	3,338	69,344	64,912					

Notes

(a) The fiscal year 2000 appropriation has been adjusted largely for the allocation of salary increments; the remaining salary program costs are budgeted in the Interdepartmental Salary Increases and Other Benefits Account.

Language Recommendations -- Direct State Services - General Fund

- Receipts derived from extraordinary financial condition examinations or actuarial certifications of loss reserves are appropriated for the conduct of such examinations or certifications, subject to the approval of the Director of the Division of Budget and Accounting.
- The unexpended balance as of June 30, 2000 in the Public Adjusters' Licensing account, together with receipts derived from the "Public Adjusters' Licensing Act," P.L. 1993, c. 66 (C.17:22B-1 et seq.), are appropriated for the administration of the act, subject to the approval of the Director of the Division of Budget and Accounting.
- Receipts from the investigation of out-of-State land sales are appropriated for the conduct of those investigations.
- There are appropriated from the Real Estate Guaranty Fund such sums as may be necessary to pay claims.
- There are appropriated from the assessments imposed by the New Jersey Individual Health Coverage Program Board, created pursuant to the "Individual Health Insurance Reform Act," P.L. 1992, c. 161 (C.17B:27A-2 et seq.), and by the New Jersey Small Employer Health Benefits Program Board, created pursuant to P.L. 1992, c. 162 (C.17B:27A-17 et seq.), such sums as may be necessary to carry out the provisions of those acts, subject to the approval of the Director of the Division of Budget and Accounting.
- There are appropriated out of the New Jersey Automobile Insurance Guaranty Fund such sums as may be necessary to satisfy the financial obligations of the New Jersey Automobile Full Insurance Underwriting Association, as set forth in the "Fair Automobile Insurance Reform Act of 1990," P.L. 1990, c. 8 (C.17:33B-1 et al.), subject to the provisions of subsection e. of section 23 of P.L. 1990, c. 8 (C.17:33B-5).
- Upon certification by the Commissioner of Banking and Insurance pursuant to subparagraph (b) of paragraph (9) of subsection a. of section 8 of P.L. 1974, c.17 (C.17:30A-8) that loans in an amount less than \$160,000,000 per calendar year will satisfy the current and anticipated financial obligations of the Market Transition Facility without reference to the amount of funds remaining from the sale of the Market Transition Facility Senior Lien Revenue Bonds, there is appropriated out of the New Jersey Automobile Insurance Guaranty Fund such sums as may be necessary to satisfy the obligation of the New Jersey Property Liability Insurance Guaranty Fund to make refunds according to law in the amount of any exemption due pursuant to subparagraph (b) of paragraph (9) of subsection a. of section 8 of P.L. 1974, c.17 (C.17:30A-8).
- The amount hereinabove for Unsatisfied Claims is appropriated out of the Unsatisfied Claim and Judgment Fund and, in addition, there are appropriated out of that fund additional sums as may be necessary for the payment of claims pursuant to section 7 of P.L. 1952, c. 174 (C.39:6-67), and for such additional costs as may be required to administer the fund pursuant to P.L. 1952, c. 174 (C.39:6-61 et seq.).
- Receipts in excess of anticipated revenues from examination and licensing fees, bank assessments, fines and penalties and the unexpended balances as of June 30, 2000, not to exceed \$250,000, are appropriated to the Division of Banking, subject to the approval of the Director of the Division of Budget and Accounting.
- The unexpended balance as of June 30, 2000 in the Pinelands Development Credit Bank account is appropriated for the same purpose.
- In addition to the sum hereinabove, such other sums as the Director of the Division of Budget and Accounting shall determine, are appropriated from the assessments of the insurance industry pursuant to P.L. 1995, c. 156 (C.17:1C-19 et seq.).
- The amount hereinabove for the Division of Insurance accounts is payable from receipts received from the Special Purpose Assessment of insurance companies pursuant to section 2 of P.L.1995, c.156 (C.17:1C-20). If the Special Purpose Assessment cap calculation is less than the amount herein appropriated for this purpose for the Division of Insurance, the appropriation shall be reduced to the level of funding supported by the Special Purpose Assessment cap calculation.
- All monies deposited in the Division of Motor Vehicles Surcharge Fund are appropriated to the Market Transition Facility Revenue Fund in accordance with the provisions of P.L. 1994, c. 57 (C.34:1B-21.1 et seq.).
- The amount appropriated hereinabove for FAIR Act Administration shall be funded from the additional taxes on the taxable premiums of insurers for the payment of Department of Banking and Insurance administrative costs related to its statutory duties, pursuant to P.L. 1990, c. 8 (C.17:33B-1 et al.).
- Notwithstanding any provisions of law to the contrary, any surplus balance remaining in the New Jersey Medical Malpractice Reinsurance Recovery Fund after all financial obligations of the New Jersey Medical Malpractice Reinsurance Association are funded, as determined by the Director of the Division of Budget and Accounting, are appropriated for transfer to the General Fund as State revenue.

NOTES